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Management Review

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JULY, 1951

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- Capitalism: The Record and the Challenge**
- Defense Asset—Labor Stability**
- Trends in Office Customs**
- Manual vs. Electric Typing**
- Your In-Plant Feeding: How Good?**
- Let Your Employees Do the Talking**
- Quality Control for 100 Per Cent Inspections**
- What Is the Ideal Unit of Work?**
- The Kind of Person Who Can Sell**
- Supervision of Outside Salesmen**
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General Management

CAPITALISM: THE RECORD AND THE CHALLENGE

IN THESE swiftly changing times, one constant factor stands forth to challenge all businessmen. This is the factor of restlessness—the restlessness caused by men's determination to better themselves. We see it among societies which have known relative prosperity. We see it among long-slumbering peoples of the earth who clearly are shaking themselves awake. A better life is to them no idle dream about which nothing can be done. The Soviets, we know, are promising a better life to them daily. Our free societies must counter these promises of the Soviets by deeds rather than words. This is the challenge we must meet successfully if we are to continue to have the kind of society in which we as business men can share a position of dignity.

Any objective appraisal of the world will lead to the judgment that in no country is capitalism more secure than it is in the United States. Wealth is produced at a faster rate in America than in other parts of the world; the United States has a larger aggregation of capital; and a greater number of people are better off here than elsewhere in the world.

It might be worthwhile, therefore, to inquire into the reasons for the relatively solid position of the capitalistic society that is the United States. Certainly the existence of thousands of miles of water at either edge of our country is part of any honest answer. The whole answer, however, runs far beyond the accident of these wide boundaries. An answer which comes much nearer the mark might run something like this:

First, capitalism as practiced in the

United States has demonstrated a continuing and expanding capacity to produce wealth. Proof of this capacity is the fact that approximately one-third of all the world's goods are produced in the United States and almost half of the globe's manufactured goods, even though we haven't one-third of the people—or one-third of the land area—or one-third of the natural resources. In fact, we have approximately one-fifteenth of the world's natural resources. What we do have is much higher productivity—that is, greater output per man-hour. U. S. output per capita is about two and a half times European output per capita. This is no reflection whatever on European workers. The fact of the matter is that each American worker has approximately two and a half times more horsepower behind him—two and a half times more mechanical muscle helping him—than his European counterpart. This advantage came entirely in the last 50 years. In 1900, as nearly as can be determined, Europe and the United States were on equal footing as far as horsepower was concerned.

Second, this constantly expanding wealth is being distributed with reasonable fairness throughout the population. Productivity has given us an opportunity to make capitalists out of millions of our citizens.

In 1949, 26 per cent of all U. S. wage-earners received \$3,000 or more in wages and salaries. But 10 years before, in 1939, only 15 per cent of U. S. wage-earners received an income of equal purchasing power—a significant increase in a decade. No dependable figures are avail-

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able as to the shift that has taken place between 1900 and 1950. But in each decade an increasing percentage of the total wealth produced has gone to the lower-income group.

There is, of course, the other side of this coin. The top income group in America has, in the five decades between 1900 and 1950, received a sharply declining percentage of the total wealth produced. The spread between the income of the president of a corporation and the lowest-paid worker has become quite modest.

As a result, we have become a nation in which, from a material standpoint, class distinctions are no longer of much significance. As a matter of fact, in a survey conducted quite recently by *Fortune*, in which the question was asked, "What class do you belong to?" the result was an affirmation by almost 90 per cent of those questioned that they belong to the middle class.

Third, American capitalism has taken on a new quality, one described more and more as the "social consciousness of Business." An appraisal of what has happened since 1900 in the United States reveals that a miracle has taken place insofar as material progress of the individual is concerned. In 1900 America offered about 27 million jobs—only fair jobs—to a nation of 75 million people. In 1950 there were 62 million jobs available to 150 million people, and they were infinitely better jobs, too. Real wages of factory workers have more than doubled; insurance, retirement, medical plans for workers have gained general acceptance; and hours of work have been shortened from 60 to 40 hours a week.

On the question of intellectual oppor-

tunity for the individual, a miracle has taken place here too. At the end of the last century, only 7 per cent of all children in the United States of high school age were still in school. By 1950 the total had increased to 80 per cent. In 1900 we had 7,200 college and university professors. Today we have more than 10 times that number—more than 72,000. Since the turn of the century, the number of our college graduates has increased six times as fast as the population.

With regard to opportunity for spiritual progress, we have also gone forward. There has been an abatement in hypocrisy and a lessening of prejudice and intolerance in American life. There has been an emergence of new and better relationships between large groups of people, the development of new standards of behavior, and fresh insights into the interdependence of all Americans.

Western Europe, if it wishes to realize its economic possibilities, should give full consideration to the three factors that have been fundamental in contributing to the progress of the United States in the last half century: heightened productivity, more equitable distribution of wealth, and a socially-conscious approach to the tasks of business. Such factors are established and proved means of meeting the upsurging demand of people everywhere for a better life. By taking advantage of these methods, the free world can, by performance, put in the shade all the glowing promises of the Kremlin. In fact, if it performs as it can perform, it will be able to reverse the classic Marxist slogan and say to the distressed and enslaved workers behind the Curtains: "Arise, you have nothing to lose but your chains."

—From an address by PAUL G. HOFFMAN before the Council of the International Chamber of Commerce, Lisbon, Portugal.

THE AVERAGE AMERICAN has four times the housing space of the Britisher and 10 times the space of a Russian.

—EDWIN VENNARD in *Edison Electric Bulletin* 6/51

DOES THE PUBLIC BELIEVE IT?

ONE OF THE GREATEST delusions that currently makes the rounds is that labor leaders have a one-way track to the workingman's mind. According to this theory, what the union leader says, the worker believes. What the business man says, the worker disbelieves.

This is not what the workers themselves tell you when you visit them in their homes and talk with them. Testing company and union publications side by side with workers that received both, we found 32 per cent saying that they can believe what they read in the union paper, but 58 per cent saying they can believe what they read in the company publication. In a study of community reaction in a great electrical manufacturing center during the course of a strike, we found that 81 per cent of the community residents had read company ads in the newspapers stating the company's position. We also found up to 92 per cent of the employees involved reading the news of the strike. What is more meaningful, we found higher awareness of what the company had to say than what the union had to say—probably because the company took more trouble to get the story out and repeat it.

Thus the problem of believability can be solved and is being solved when companies work at it. Also, the potential power of businessmen in inducing public belief in what they have to say is probably much greater than most people suppose.

How, then, does one achieve believability for business communications? Here are five operating conceptions which, in the present stage of our understanding, are thought to contribute to believability:

Talk to people and continue talking to them. Some years ago, in a study for the Oil Industry Information Committee, we stumbled across the conception of the "opinion vacuum," which adds dramatic

significance to this point. In one half of the sample we asked people, "What is your idea of how retail prices of gasoline and oil are decided?" Fifty-six per cent said they did not know; 31 per cent said by competition; 13 per cent said by collusion. On the other half of the sample we asked the question in this way: "Which of these statements comes closest to your idea of how gasoline and oil prices are decided: 1) The oil companies get together and set prices for their products. 2) Each company sets prices to meet competition." When the question was phrased this way, 57 per cent said that the oil companies get together and set prices for their products; 31 per cent said that each company sets its own prices to meet competition; only 12 per cent said "don't know." In other words, when people have no definite opinion about a subject, an opinion vacuum exists which is easily filled by the first plausible idea that comes along.

If our first criterion was talking to people, the second criterion must be talking *with* people—getting their views, establishing two-way communication. People have more confidence in affairs in which they participate. The whole conception of consultative management is based on this principle. So too is the conference method of teaching.

This brings us to the third item of our inventory—face-to-face discussion and generally what we call "see and feel" communication. In the management pyramids we have examined, the greatest solidarity is present when top management meets regularly with foremen, discusses the problems of the business, and makes foremen feel part of management. This principle applies likewise to the rank and file. It can be demonstrated that those who know the boss are most inclined to believe what he says.

The fourth item in our inventory of believability is the establishment of good motives. Believability in public relations must follow the principle, "Find the interests of the company publics and show them how the company is seeking to satisfy those interests." Once people agree with you on the goal, they are disposed

to accept your proposals on the best means for reaching it.

The fifth and final item of our inventory of believability is what we might call "the aura of dealing fairly." Confidence in a company isn't established overnight. It becomes an aura or atmosphere that greatly influences the believability of company communications.

—CLAUDE ROBINSON (President, Opinion Research Corp.) June, 1951, *Commerce*, p. 19:4.

Consider the Crab

CONSIDER the crab. He can move backward or forward instantly with equal ease. That may be why he has survived for so many millions of years. To keep alive today, any business may have to move fast—just like the crab. But which way?

In addition to government stockpiling of steel, copper, zinc, aluminum, and rubber, a portion of the nation's production of these materials is still finding its way into the gray market. What's going to happen? Until the situation is somehow corrected, we will see gray market stockpiling in addition to government stockpiling, with the supply of materials available to makers of civilian goods, at prices they can afford to pay, growing less and less. This means that plants are going to be shut down and people laid off.

The farmer, too, is in trouble. The prices of his product are frozen. In the meantime, he is having a hard time getting labor, and wages are up. Eventually, if unemployment develops in civilian plants because of the materials situation, farmers may be able to get the help they need, and the price tangle may be straightened out. But meanwhile?

What about the industrial wage earner's wife? Does she feel like spending money? Or is she going to be cautious and careful? While consumer sales may skyrocket in defense plant neighborhoods, they will probably decline in non-defense areas.

One thing is certain in the midst of all these uncertainties. There won't be any general pattern to this picture. One plant may be doubling its capacity while the plant next door may be shutting down. Business may boom in one community while in a town 40 miles away men are hunting jobs. It all depends on what business you are in, where you are located, and how the complex factors at work today affect your particular business.

There is only one thing to do—get set, like the crab, to move backward or forward, up or down, and fast.

—GEORGE F. TRUNDE, JR. in *Trundle Talks* No. 141 (Trundle Engineering Company)

TV as a Management Communication Tool

TELEVISION became a management-employee communication tool when executives of the Detroit Edison Company discussed plans and policies on a special half-hour evening program.

Since 70 per cent of the company's 12,000 employees own TV sets and the program was extensively publicized, it is believed that most of them were viewers.

A film summary of company activities, with commentary, and plans for future expansion were presented at this "Edison Open House Meeting."

—*Dun's Review* 7/51

EXECUTIVES NEED THE DOCTOR

IF YOU'RE A BUSINESS EXECUTIVE with an ailment, the chances are you are overweight or underweight, have an abnormal heart condition, high blood pressure, or substandard eyesight (uncorrected by glasses). That's what the Life Extension Examiners found in a rundown of 2,000 management men.

Recently, the Metropolitan Life Insurance Company's Policyholders Service Bureau did some digging to find out from top-drawer companies what their health examination policies are. Of the 118 queried, 86 had some kind of periodic test for executives. Some general conclusions about how a good key-man health program should be set up can be drawn from this study. Among them are these:

There is no general rule about whether to use company doctors, your own medical director, or outside clinics and physicians.

Tests should be given at least once a year. That rule can be eased for young executives, according to some medical directors. One director set up a schedule like this: Under 30, every three years; 30-40, every two years; 40-60, annually; 60-65, semiannually.

Management people right down the line ought to be included. Some companies limit the exams to the top 10 per cent because of the cost. Others set salary floors of \$7,800 to \$10,000. Examinations for top executives should probably be more intensive than those for general employees, however.

To avoid personnel problems, most companies make the examinations voluntary (only 17 per cent of those checked were mandatory).

Metropolitan's survey could find no sound way for estimating the cost of a health examination program. Figures ran all the way from \$10 per person to \$300, depending on the length of the examination. Median cost came to about \$30.

One question the survey asked was this: Do the tests do any good? Most thought they did. The medical director of one company said all the defects found in the executive group during the first year of the program's operation were correctible or could be controlled. Another thought the best feature was making executives health-conscious. One company had statistics to show a gradual decrease in the number of "positive" conditions found.

A good health program can help ferret out personnel friction—a potential cause of executive ill health. If the executive health level is low, it may be time to start checking management policies. This was pointed up by a company that matched the health of its executives against a comparable business. It found that only a third as many of its men had defects. The company said it knew the reason: "We have an exceedingly advanced personnel policy; the other company doesn't." Sharply defined job responsibilities that cut down friction were given the credit.

—*Business Week*, April 14, 1951, p. 48:3.

"BIG" BUSINESS: There are 240,000 manufacturing companies in the U. S. About one five-hundredth, or 504 to be exact, employ more than 2,500 men and women. So, there's one good-sized company for every 480 little ones.

—*The Employment Counselor* (Employment Counselors Association, Columbus, Ohio) 7/51

Read 'Em and Weep—And Pay

"PAY-AS-WE-GO" is sound procedure, particularly with the national debt at the incomprehensible sum of \$254 billion. But here and there in back pages of the papers are certain items that leave the taxpayer with a feeling of rage, frustration, and bewilderment. To wit:

The Army has purchased 68,000,000 can openers in the past year for its 1,500,-000-man establishment.

The Army has asked for 4,636,000 web belts for 1951—enough for three per man—though they issue only one each per year.

The Navy, in 1944 and 1945, bought enough paint to cover 10,666 battleships; sold tons of it later as "surplus" to a German firm; and it is now being offered back to the American firm that originally made it for half price.

Surely in that vast military maze of the Pentagon there is room for someone to concentrate on squeezing out millions of dollars that are not being spent to make us stronger, but make us progressively weaker through foolish, incompetent, reckless spending.

—*Forbes* 7/15/51

The American Worker: 60 Years' Progress

IN COMPARING the American worker of yesteryear with the worker today, the staff of Columbia University's "Conservation of Human Resources" research project has found that while in 1890 the average worker devoted almost 80 per cent of his total expenditures to housing, food, and clothing, today he devotes only 60 per cent to these necessities.

Other interesting findings:

In 1890, with an average family income of \$650 per year, two out of three iron and steel workers were able to save some money!

There was a big spread in 1890, as there is today, between the more prosperous and the less prosperous worker: Sixty years ago, 5 per cent earned less than \$300 a year, while 10 per cent earned more than three times as much.

Publicizing Your Defense Contribution

COMPANIES unable to take the usual good care of customers because of defense work can head off unfair criticism—and even the loss of good accounts—by getting out a promotional piece showing how their products are used in defending the country at home and abroad. In that connection, ask E. V. Miller of the Caterpillar Tractor Company, Peoria, Illinois, for *Seeds of Victory*, just issued by Caterpillar and supplied in quantity to Caterpillar suppliers and customers. Everyone, of course, knows Caterpillar is head over heels in defense work, but this brochure really makes you want to help it in every way possible.

—*News Letter* (Dartnell Corporation, 4660 Ravenswood Avenue, Chicago 40, Ill.) 7/7/51

A SPINSTER, shocked at the language used by workmen repairing a telephone line near her home, wrote the telephone company. The foreman was requested immediately to make a report of what had happened. The report read as follows:

"Me and Spike were on this job. I was up the pole and accidentally let the hot lead fall on Spike—right down his neck. Then Spike looked up at me and said, 'Really, Harry, you must be more careful.' "

DEFENSE ASSET—LABOR STABILITY

SINCE WAR BEGAN IN KOREA, our country has taken stock of its resources for defense. We have checked our steel capacity, estimated the number of planes, tanks, and guns we can produce, and counted our supplies of manpower.

Should we not, therefore, take inventory of our labor-management relations? Is the picture today a bright one, or does trouble loom ahead? What are the strong points, and where are we weak? How do we compare now with 1941, and what did we learn from our experience in the last war about labor problems? How can this experience be put to use now?

On the surface, the labor scene looks much the same today as it did 10 years ago. For labor, most of the same faces are still around. The pattern of collective bargaining seems the same. Labor demands. Management refuses. A strike is threatened. Conciliators intervene. Conferences are held, and a settlement is reached or a strike begins. In due course, the strike also is settled.

Beneath these surface similarities, however, we find a completely changed picture. The plain fact is that we have made tremendous strides in labor-management relations in the last 10 years. The tenseness and suspicion that used to exist have largely subsided, and labor and management have learned to cooperate on major problems of mutual interest. Many of the inner conflicts within the labor movement have disappeared. The Communist grip on certain vital unions has been broken. Major issues of labor relations—such as pensions, welfare funds, grievance procedure, arbitration, management rights, and union security—have been worked out. The techniques of settling labor controversies have been fully explored, both in peace and wartime, and we have a body of experience to draw upon.

An example of the developments that have taken place in management-union relations is the agreement between General Motors and the United Automobile Workers. Ten years ago it was a simple contract of six typewritten pages covering only a few major points. Today they have a complex document, numbering 103 pages as printed in booklet form, with three appendices and a supplemental agreement of 84 pages on insurance and pensions. The same is true in most other industries.

To a large extent, the labor disputes that are coming up now involve demands for changes in the sections of collective-bargaining contracts dealing with wages and other money items rather than in any of the fundamental relationship clauses. These appear to be fairly well set. This was true even before the post-Korean inflation focused attention on wage increases to meet the rise in living costs.

The experience industry and labor have had in collective bargaining has brought about a big change in their attitude toward each other. For the most part, management has now made it clear that it accepts unions and recognizes that they are here to stay. In turn the unions have lost the fear that management might try to get rid of them. Labor readily recognizes that management is entitled to make a fair profit in its business and will frequently help management in matters outside the usual field of wages, hours, and working conditions.

With wage and price controls, the complexion of collective bargaining is changed completely. Instead of dealing only with each other, companies and unions bargain in light of what the government may approve. As a practical matter, they also bargain with the government. What it really means is that the government becomes a third party at the

bargaining table, and negotiations take place on a three-way basis. To make this complex, tripartite relationship work properly is a major problem we face in the fight against inflation. Fortunately, we approach it with a background of experience in World War II, together with the accomplishments of management and labor during the last 10 years.

Marking out the right course to follow won't be easy. But we are fortunate in

this respect. Management and labor have learned much. The vast majority of companies and unions are anxious to help in this critical period by maintaining a stable relationship. They are better equipped to do so than ever before. With sensible and calm direction from the government, aided by industry and labor participation in the government's activity, we should be able successfully to maintain industrial peace and stability throughout the emergency.

—THEODORE W. KHEEL. *The New York Times Magazine*, July 1, 1951, p. 8:3.

Poem for Pessimists

My granddad, viewing earth's worn cogs,
Said things were going to the dogs;
His granddad in his house of logs,
Said things were going to the dogs;
His granddad in the Flemish bogs,
Said things were going to the dogs;
His granddad in his old skin togs,
Said things were going to the dogs;
There's one thing that I have to state—
The dogs have had a good long wait.

—Canadian Fire Insurance Company

The Communists in Industry—How Strong?

WHILE THE TENDENCY today is to minimize the influence and power of Communist party members who are working in defense plants, the Communists themselves do not overlook their importance, nor are they circumspect in making known their designs.

At the recent national convention of the Communist Party, party leaders boasted that they had 22,000 dues-paying members in basic industries, ready to carry out the sabotage of the defense program. This represents about 45 per cent of their total dues-paying membership in the United States. The CP organization secretary broke the figures down as follows: food processing, 28 per cent, 6,700; auto and aviation, 19 per cent, 4,200; electrical and machine, 17 per cent, 3,800; steel and fabricating, 14 per cent, 3,110; transportation and maritime, 8 per cent, 1,900; mining (all types), 7 per cent, 1,700; rubber, chemicals, petroleum, 7 per cent, 1,700.

. . . —A. N. WECKSLER in *Mill & Factory* 7/51

THE U. S. BUSINESS POPULATION reached a new high of 3,997,700 operating establishments late last year, according to a recent Department of Commerce survey. This exceeds the previous high of 3,994,220 concerns in the second quarter of 1948. The biggest single block of operating enterprises is in the retail trade field, which by itself represents more than two out of every five business establishments in the country.

—Commerce 7/51

Also Recommended • • •

WHAT SHOULD A PRESIDENT DO? *Dun's Review* (99 Church Street, New York, N. Y.), July, 1951. In this article the presidents of six large corporations reply to the question: "What do you believe are the important duties of the man behind the president's desk?" According to the opinions expressed, it is among his most important functions to see that teamwork is achieved within his organization; to balance his employees' tendencies toward independence and cooperation; to get all the facts concerning a problem and then act upon these facts to arrive at a speedy and satisfactory solution.

THE GLOBAL PRICE GOUGE! By Jack Robins. *Commerce Magazine* (1 North LaSalle Street, Chicago, Ill.), April, 1951. Rigged commodity prices are adding millions to defense costs according to this article, and the rise in international commodity prices after Korea has made it obvious that literally hundreds of millions of dollars have been added to the cost of rearming the Western world. The most glaring world commodity price problem is that of tin, whose cost has increased more than 150 per cent since Korea. An international allocation system similar to that used during World War II, is among the recommendations made by the Senate Preparedness Committee to alleviate the situation.

THE SALES TAX. By George E. Shea, Jr. *Barron's* (388 Newbury Street, Boston 15, Mass.), July 16, 1951. The author presents a strong dissenting opinion, pointing out the faulty thinking of those who have advocated a manufacturers' sales tax in place of increased income levies. According to the author, the biggest danger of the sales tax is that it would loosen the few restraints that remain on intemperate federal spending by opening up a nearly virgin field of taxation for the spenders, wasters, and vote-buyers.

BIG BUSINESS MUST HELP OUR COLLEGES. By Alfred P. Sloan, Jr. *Collier's* (640 Fifth Avenue, New York, N. Y.), June 2, 1951. Caught between rising costs, low endowment return, and shrinking dollar value, one out of four colleges and universities is in the red. Industry should help support our colleges, the author asserts, because it must have their basic research in order to continue raising American standards of living. Taxes limit

the number of big gifts, but Mr. Sloan has found strong judicial precedents for corporate support of our educational institutions; and he urges general adoption of the recent provision incorporated in the New York State general corporation law aimed at encouraging such support.

HEALTH MAINTENANCE OF KEY PERSONNEL. By Robert Collier Page. *Industrial Medicine and Surgery* (605 North Michigan Avenue, Chicago 11, Ill.), July, 1951. The health maintenance of key personnel is a corporate problem, according to Dr. Page, General Medical Director of Standard Oil of New Jersey, who discusses why it is imperative for each employee to know what his health is and to learn to live within the budget nature has given him. This article cites a study showing that there is a correlation between the day-to-day incidence of coronary attacks and fluctuations of activity on the stock market.

NEEDED: MORE EXPLOSIONS. By C. M. Chester. *Tax Outlook* (Tax Foundation, Inc., 30 Rockefeller Plaza, New York 20, N. Y.), July, 1951. American business men are defaulting in their citizenship if they do not express themselves openly on national and local matters, or "explode," as the Honorary Chairman of General Foods Corporation puts it in this article. Opinion surveys have shown people eager for business leaders' views. The author believes that in this time of emergency American business men must place more emphasis on citizenship, must unsnap the padlock that has sealed their lips, and come forward to guide the nation.

"SMALL BUSINESS" IN A LUKEWARM WAR. By Mitchell Gordon. *Commerce Magazine* (1 North LaSalle Street, Chicago, Ill.), April, 1951. Though the present situation does not parallel that of early World War II, in which some 16 per cent of the nation's 3,500,000 "small" concerns (those with less than 500 employees) closed their doors, it is sufficiently similar to convince most Washington observers that small business is in for the roughest sledding it has ever faced in peacetime. Washington has many schemes—and has even taken a few practical steps—to aid small business men. Among these are a proposed bill for building loans, encouragement of subcontracting, and organization of an information clearinghouse.

Office Management

TRENDS IN OFFICE CUSTOMS

TO DISCOVER CURRENT TRENDS in office customs and practices, the National Office Management Association recently surveyed over 2,100 companies in the principal cities of the United States and Canada employing a total of 464,649 office employees. The survey questionnaire included questions on such topics as smoking, rest facilities, snack practices, and office dress customs, as well as office hours, work week, and length of lunch periods. The results of a similar survey conducted in 1946 were compared with the present findings. The following are some of the conclusions presented in the current survey report:

The same percentage of companies (2.2 per cent) did not allow any smoking by either men or women in both the 1946 and 1951 surveys. Almost the same number of companies (41 per cent and 42 per cent) restricted smoking by women. However, there was an increase of over 50 per cent in the companies that allowed unrestricted smoking for both sexes.

Official rest periods were granted to women only by a smaller percentage of companies in the present survey but, again, this was more than made up by the 50 per cent increase in companies that allowed official rest periods for both sexes. Actually, however, the incidence of permitted relaxation periods is even higher than this, for a number of companies reported in the current survey that the employees were allowed to take time out at their own discretion.

The companies providing rest areas for women and those providing rest areas for both sexes each increased about one-quarter, with about four times as many com-

panies now reporting rest areas for office people as reporting that no rest areas were available. Women receive the greatest benefit from this privilege, the reports showing that as many companies provide rest areas solely for women as provide rest areas for both sexes. Oddly enough, the percentage of companies providing recreation rooms (as distinguished from rest areas) for both sexes fell off about one-seventh.

Over half the companies have their office employees obtain snacks during regular rest periods. However, the majority practice in 1946 was to have them obtain their snacks at their own discretion. This change may be due to the fact that more companies report that they are providing official rest periods now.

Regarding working hours, the tendency seems to be to start work a little earlier and stop work a little earlier than in 1946. The most popular starting time by far is between 8 and 8:29 A.M., and over half of the responding companies stop work between 5 and 5:29 P.M. Seventy-two per cent of the companies now report that no regular office work is done on Saturday as against 56 per cent in 1946. In those companies that do work on Saturday, over five times as many quit before noon as in 1946.

The standard work week in hours is also shrinking. Almost twice as large a percentage of companies show a work week of under 37 hours as did in 1946. The group working from 37 to 39 hours per week has grown by over 25 per cent, while the companies working over 39 hours have decreased rapidly.

Slightly more than half of the com-

panies felt that one hour was the proper length of time to allow for lunch. Three-quarters of an hour and one-half hour are the next two most popular lunch periods, with 21 per cent and 16 per cent of the companies respectively using them.

With regard to clothing practices, the 1951 survey shows that over three-quar-

ters of the responding companies allow male employees to remove their coats at any time, and an additional 13 per cent allow their men to remove their coats only in warm weather. Only 2 per cent of the responding companies said they did not allow male employees to remove their coats at all.

—Office Customs, No. 2. National Office Management Association, 132 W. Chelton Avenue, Philadelphia 44, Penna. 1951. 32 pages. \$2.00.

Uncle Sam's Office Space Problem

THE GOVERNMENT already has enough office space to equal an Empire State building in each of the 48 states, but it wants more—much more.

The mobilization program—unless severely cut by Congress—will, by July 1, 1952, have boosted U.S. employment rolls by about 1,000,000 persons over the July 1, 1950, figure. About half of this number are "white collar" workers who require desk space. At least 50,000 are being assigned to Washington—and most are already there.

The best estimate, partly a guess, is that the government occupied about 185,000,000 square feet of office space at the outset of the Korean war. It did not include a lot of space in such places as Army and Navy installations, veterans hospitals, and Treasury depots. At the peak of World War II, a comparable estimate was 350,000,000 square feet.

When the government started hiring for the mobilization program, a survey of non-government office space available around the nation revealed that space "on the market" amounted to only 3,000,000 square feet, compared with 40,000,000 at the start of World War II. The government is not the welcome tenant it was then. Rents have tripled. So have conversion and maintenance costs.

Despite this shortage, the space-hunters have been able to find empty offices almost as fast as new workers have climbed on the payroll—everywhere but in Washington.

What happens in the next year may be a different story. The Defense Department alone wants 13,500,000 square feet—enough for 135,000 more workers. That is space four times the equivalent of the Pentagon Building.

In Washington, the groans of overcrowded agencies so far have found an unsympathetic ear in Congress. Double up, the Congress committees have said, and that is what all agencies will have to do. At the Pentagon, Defense Department headquarters, 31,000 persons now work in space that averaged 26,000 during the war.

—New York World-Telegram and Sun

AMA OFFICE MANAGEMENT CONFERENCE

The Office Management Conference of the American Management Association will be held on Thursday and Friday, October 18-19, at the Hotel New Yorker, New York City.

CENTRALIZED TRANSCRIPTION FOR IMPROVED OFFICE EFFICIENCY

CENTRALIZATION of stenographic service is an outgrowth of the widespread quest for greater efficiency at lower cost. What are the advantages to be derived from centralization? What will centralization involve? What factors are essential to successful operation? The following are some of the answers to these questions:

In these days of ever-mounting costs, one of the great advantages of centralization is economy. If every department in an organization is to maintain stenographic and typing staff sufficient to take care of its peak loads, it must inevitably be overstaffed for the slacker periods. Centralization will fill in the valleys of one department's work with the peaks of another and, by reducing spare time, will operate with a smaller, more fully-occupied staff.

A saving in space may also result. A compact and uniform department of 100 could be accommodated in less space than 20 units. Typewriters, too, will be used steadily instead of sitting idle half the day; long carriage and other special machines will be centralized, and a double saving will result—fewer machines, less space.

Economy is only one advantage; what about efficiency? Under centralization you have a mobile staff. When emergencies arise and time is limited, practically the whole department can be thrown in and the job handled in record time with a minimum disturbance of regular routine. Also, since interchangeability is an essential feature of centralization, individual absences may cause greater pressure, but there is none of the disruption that occurs when only one person is trained on a job.

While it is not essential that all correspondence be of production-line mon-

otony, a certain uniformity of setup and company practice plus consistently good workmanship are desirable. These goals are usually extremely difficult to achieve. Under centralization, however, you can have a manual of instructions with the approved setup for sample letters and memos of varying lengths. Also, the careful supervision required by centralization can maintain a high standard of workmanship, both as to quality and quantity.

Finally, a central stenographic department offers opportunities for placement and promotion that would be difficult to duplicate. When an employee is compared with 99 other persons working under identical conditions, her grade is more or less automatically established. Though this makes life hard for the supervisor who is always training and supervising new staff, it also makes for contentment and sustained interest in the staff itself; only those who are unable to qualify for something better need stay in a rut.

What does centralization involve and how can it be achieved? Centralization should be custom-tailored to a company after all its measurements have been carefully taken and all its particular problems examined. The first step is a survey of all typing and stenographic work in all departments: the type and complexity of the work; the regularity; the volume; the number of employees involved; and an analysis of their respective duties. The work should then be classified with the object of determining how much can advantageously be separated from its source.

Executives will naturally retain secretarial help; some work involving the use of departmental records must remain; some may be so highly specialized as to make a change undesirable (this latter argument should be carefully scrutinized).

Centralization to be successful, however, should be as complete as is practicable, and a minimum of stenographic work should remain decentralized.

Consideration should be given at this time, too, to the installation or extension of machine dictation, which is capable of increasing stenographic output by 35 per cent or even more when dictators are subject to frequent and lengthy interruption.

A supreme effort should be made to get the new department off to a good beginning, for it will definitely be on trial. It is better at first to have too large rather than too small a staff; any advantages centralization may offer can quickly be nullified by slow and inefficient service. Later, when the department is operating smoothly, adjustments may be made as required.

Careful control must be maintained if the system is to run so smoothly as to be almost automatic. Each girl in the department should keep a daily work report which will show at a glance for whom and for how long she has worked

during the day. Each day the work sheet should be totalled, the difference between the total and a full working day representing spare time. The supervisor or her assistant should then record day by day the spare time of each girl and the total time spent on the work of each department serviced. A complete report at the end of the month should show the time devoted to each department's work, the average staff for the month, the absences, the actual available working time, the total working time, the total number of minutes spare time, and the percentage and amount of overtime. Reports from my own department for the past six months show an average of 5.7 per cent spare time, including relief time.

The staff of the department can be increased or reduced from time to time as conditions warrant. If spare time rises and continues for several months in succession above a reasonable figure, the next person to leave need not be replaced until the figures show it to be necessary. Similarly, if the report for several months indicates undue pressure, steps should be taken to obtain additional staff.

—MRS. L. CROPPER (Chief Clerk, Stenographic Dept., Sun Life Assurance Company of Canada). *Proceedings of the 1950 Annual and Special Conferences of the Life Office Management Association*, p. 100:12.

MANUAL VS. ELECTRIC TYPING

THE electric typewriter has arrived. No longer can an office manager ignore it. He must face up to these questions: Where will it be profitable to employ electric typewriters, and, in those cases where it is profitable, should the replacement be made immediately or only after the useful life of the present equipment has expired?

The first step in answering these questions is to determine how much more production the electric machine will make

possible. Thereafter, it is a simple matter to determine the desirability of purchase.

How much more production will an electric machine make possible? There are almost as many answers as there are people who have made studies of the question. One study was made in a large purchasing office in which production records were maintained. All manual typewriters were replaced with electric models. The nature of the work and the typists were unchanged, but production

went up 20 per cent. On the other hand, one study showed only a 6 per cent increase in production. Obviously, the nature of the work affects the amount of increase; moreover, it is difficult so to "control" conditions that we neutralize all factors except the machines being compared. Each office manager must, therefore, determine a percentage of increase before he can make a sound decision.

The least accurate, but least costly, method of determining increase in production is to secure the results of studies made by others and to compute the average of the results (for example: $20 + 19 + 6 = 45 \div 3 = 15$ per cent).

The next most accurate method is:

1. Assign all typing work to categories, based on the average number of copies typed (e.g., 1-5, 6-10, over 10).
2. Obtain a percentage of increase for each category, using the method described above or by actual tests.

The most accurate method is:

1. Pick the job which seems to be a candidate for the electric machine.

—C. I. KEELAN. *The Office*, July, 1951, p. 44:3.

Time Clocks for Office Workers?

IS THE POLICY of requiring office employees to punch in and out at a time clock observed by a large proportion of industrial and commercial firms? According to a survey of 264 companies by the Associated Industries of Cleveland (an area whose industries are said to be generally representative of the country as a whole), some firms do observe this practice and others don't—depending to a large extent on company size. Practice ranges from the company where everybody from the president down checks in at the time clock, to those where no one working in the office has an exact measurement of when he comes to work and when he leaves.

This survey, which covered 40,561 white collar employees, shows this: 117 firms, on whose payroll are 23,063 men and women, ask them to punch in and punch out; 136 employers, giving work to 18,148 office persons, do not use the system. It will be noted that, though there are more companies that do not use the time clock than there are those that do, the time clock firms hire more people. In a small company with maybe 5 or 10 office workers, the maintenance of attendance and punctuality records is relatively easy. However, a large employer, who may give jobs to more than a thousand white collar people, finds the task is not so simple, and some system has to be set up, or the result is chaos.

2. Keep production records for one month.
3. Obtain a trial electric machine, and when the typist acquires reasonable competence on the new machine, keep production records for one month.
4. Divide increase in production by production on manual machine.

The first method is quite safe for a company that will employ many electric machines, as the average increase of several installations should approximate the average increase disclosed by several studies.

The second method is a modification of the first but is more accurate since it recognizes that the electric machine is more advantageous as the number of copies to be typed increases.

The third method has these disadvantages: it is time-consuming (test must be made for each prospective installation); trial machine may be unavailable; idiosyncrasies of single typist may distort result. Nevertheless, for a company having only a few installations, it is the only safe method.

GUIDES TO EFFICIENT OFFICE LAYOUT

SUGGESTIONS for office arrangement logically fall into two categories—those that apply to efficient arrangement irrespective of the flow of work, and those that pertain specifically to desk arrangement resulting from the movement of paper work.

Within the first category are the following general suggestions for planning an efficient office layout:

Ceilings should be soundproofed in order to increase efficiency. This is particularly true in departments using machines in the processing of work. Noise takes its toll on the nerves and contributes to fatigue and errors. In normal situations, efficiency increases will average about 15 per cent—in extremely noisy conditions, efficiency increases will be much higher.

Ventilation is very important. A poorly ventilated or over-heated room produces drowsiness and slower reactions. Window ventilators reduce drafts. Exhaust fans will help circulate the air. The room should be thoroughly ventilated several times a day, such as early in the morning before office activities start and during the morning and afternoon rest periods. Temperatures of 68 degrees to 70 degrees are best for efficient work, provided the humidity is properly controlled.

If incandescent lighting of an indirect nature is used, ceilings should be painted or calcimined with a flat color, preferably off-white, ivory, or eggshell. If fluorescent lighting is used, no special ceiling treatment is required other than a harmonious eye-appealing color in a light shade. Pastel colors for walls—blue and green, for example—are decorative and popular.

It has been a trend for a number of years to reduce the number of private offices. Most banks have their offices placed in open areas, private offices being space and time wasters and retarding the easy flow of work. In cases where privacy

is a functional requirement, it can be accomplished by 7' 6" partitions. Such partitions do not hinder ventilation.

Though management understands the necessity for conserving time, not enough consideration has been given to the conservation of space. Here are several suggestions, most of which concern efficient desk arrangement, for reducing space requirements:

1. Standard desks are 60 inches by 34 inches and require approximately 15 square feet of floor space. Motion economy studies indicate that a 60 x 34 desk provides more surface space than can be utilized by an employee—the extra space is storage space and is not required. If a utility desk approximately 48 inches by 24 inches is used, the normal working area is not disturbed, but the space requirements are reduced by 7 square feet for the desk and 3 square feet for the employee, making a total of 10 square feet per employee. The total space requirement per employee is then 50 square feet instead of the standard 60 square feet necessary when the standard desk is used.

2. Standardize the space allocation for supervisors and management: chief clerks (no office)—space allocation about 75 square feet; department managers (no office recommended, but can use partitioned space)—space allocation about 100 square feet; management (private offices if required)—space allocation varying from 150 to 250 square feet, depending on the level of position and space requirements.

3. Aisle space should be sufficient for easy movement and should be in a straight line. Allow about 3 feet for aisle space.

4. Supervisors should be located to the rear of employees. Employees should face in the same direction. If decen-

tralized files are maintained, move the files as near as possible to the person using the files.

5. Use of five-drawer filing equipment in place of three- and four-drawer files will save space.

6. Adequate telephone service will reduce the necessity for movement of employees.

7. The microfilming of old, but important, records and reports is a terrific space and equipment saver.

—GUY FERGASON. *Best's Fire and Casualty News*, June, 1951, p. 101:3.

GE's "Round Tables" for Office Supervisors

IN ADDITION to his other responsibilities, the office supervisor spends a good deal of time answering various questions about company policy. Many training programs are designed to keep the supervisor fully informed about such matters and able to interpret them to employees accurately and easily. The General Electric Company does this with its "Round Tables," which are described as follows by a company spokesman:

For about a year now we have been working on a program—General Office Management Conferences—which we hope to give to high-level supervision in the General Offices of our Company. We plan to organize small groups of supervisors into conference discussions and follow a program which might be tentatively outlined like this:

1. Introduction
2. The Principles of Conference Leadership
3. Management and the Individual Employee
4. The Individual's Psychological Needs
5. Leadership and What It Is
6. Handling Grievances
7. Evaluating Employees
8. Informative Conferences
9. The G. E. 9-Point Job
10. The Supervisor's Job
11. Company Pay Policy
12. Job Security
13. Summary

Possibly by fall we will have had a pilot group of top-level supervisors who have explored the course.

We have a program in force now which we confidently feel is the best thing we have come up with to date to place the supervisor—no matter what his level—in a position to be the man in his work group. This applies to office supervisors, as well as first-line foremen. Through a series of regularly scheduled meetings of an informative nature (called Round Tables) the supervisor assumes a position in management by discussing with his people any subject he wishes to talk about except union grievances (for which we have a standard procedure already established and contractually agreed upon with various bargaining agents).

THE COLOR RESEARCH LABORATORY at Sun Chemical, Long Island City, N. Y., recently discovered some interesting results caused by colors in offices. Under the influence of red light, time is likely to be overestimated, while with green or blue time is likely to be underestimated. The inescapable conclusion: Blue or green interior decoration schemes where office work is routine to make the day go more quickly.

—*American Business* 12/50

Clerical Salaries Leveling Off, Survey Shows

CAN TYPISTS be hired today in metropolitan areas for \$45 a week or less? No, say many employment agencies. Yes, the Commerce and Industry Association of New York, Inc., reported recently—and presented actual figures for June 1, 1951, to prove that the bulk of them are being hired at less than \$45.

In fact, of 148 junior typists hired since April 1 by 52 companies in the New York metropolitan area, only nine were taken on at \$45 or more, with salaries of the rest ranging from \$31 to \$44. In the same two-month period, 38 companies reported hiring 92 senior typists, with 33 being given \$45 or more and the others going to a \$33 minimum.

What is more, according to the Association, the percentage of companies reporting "hires" has been dropping from the peak of 75.5 per cent in February to 67.1 per cent in April and 63.9 per cent in the current study. The median hiring rates of five of the 10 job classifications considered showed a decrease from April, three remained the same, and only two showed an increase.

Aside from the hiring rates for new employees, the salaries of six key office jobs, except for senior stenographer, have remained at their April 1 level, the Association also reported. Speculating on the factors which might contribute to this situation, it said:

"The leveling-off . . . at approximately the April 1 level may be the result of Wage Stabilization. On the other hand, we find an almost similar situation in the Spring of 1950, when we had no stabilization. Possibly it is an indication that salary policies have been little affected by Stabilization—that major salary adjustments take place early in the year, with relatively little movement after April 1, although there are other factors which would tend to hold the general level down, such as promotions and increased turnover."

"The same holds true of the hiring rate picture. Many personnel people indicate there has been no easing of the labor supply, yet the hiring rates show a tendency to slacken. Here again it is possible that Wage Stabilization Board regulations on new hires may be holding hiring rates at an artificial level in a tight labor market, or that employers are refusing to pay excessive asking prices."

Standards for Office Desks Established

THE FIRST American standard to coordinate and simplify the sizes of desks and tables used in the thousands of business offices all over the United States has just been approved by the American Standards Association.* A booklet, *American Standard Dimensions of Desks and Tables for General Office Use*, provides a range of over-all dimensions for metal and wood desks and tables commonly used in the modern business office. However, the larger executive desks—over 60 inches in width—are not covered.

The standard provides for five widths and two depths for metal desks, and six widths and two depths for wood desks. This will be a great aid to office managers in reducing the number and variety of equipment used and in simplifying ordering and reordering of merchandising. It also promotes a more flexible furniture arrangement in an office, encouraging and facilitating the interchange of personnel and equipment.

The standard defines such terms as general office desks and tables, single-pedestal desks, double-pedestal desks, width, depth, front, height, and right and left designations.

* 70 East 45 Street, New York 17, N. Y.

SECRETARIAL JOBS led all others among placement of inexperienced college women in business and industry in 1950, according to an annual survey of placements of college graduates made by Northwestern University. Next to secretarial jobs, placements in merchandising, chemistry, accounting, market research, engineering, advertising, personnel, and physics were most numerous, in that order.

Handicapped Office Workers Can Do the Job

STENOGRAFERS AND TYPISTS are hard to find. And because they are, some personnel departments are now ignoring a lot of handicaps that once would have barred applicants from jobs. The only question they ask is: Can you do the work?

Many people with minor physical disabilities—and some with major ones—are proving daily they can.

Allis-Chalmers, for instance, is convinced that many physically handicapped girls can handle stenographic and typing jobs just as well as normal ones. It found out by letting them try.

When clerical shortages began to show up, Allis-Chalmers eased its rules on physical fitness for typist applicants. It hired a number of wheelchair typists, such as one young polio victim and a girl who had been a good typist before she lost her eyesight three years ago.

Recently Fred Mavis, office manager at A-C's Milwaukee tractor division plant, announced that the experiment with the handicapped was working "entirely satisfactorily." The blind girl is assigned to transcribing Ediphone letters and "does a thoroughly capable job." She gets around reasonably well with the aid of a seeing-eye dog. The wheelchair typists use collapsible wheelchairs and require little aid during the course of a day. According to Mavis, their work is good, and they are "as efficient and more cheerful than most of the normal girls in their department."

—*Business Week* 5/5/51

Also Recommended • • •

EFFICIENT USE OF OFFICE EQUIPMENT. By W. H. Meyer. *Office Executive* (132 West Chelten Avenue, Philadelphia 44, Penna.), June, 1951. A case study of how one big company—Westinghouse Electric Corporation—gets high dividends for its equipment dollar. Among the policies adopted is that of maintaining complete records of all company-owned machine equipment to which are posted all charges made against the machines, so that true equipment costs can be determined.

BEATING THE PAPER BLITZ. By Ben S. Graham. *The Controller* (1 East 42 Street, New York 17, N. Y.), April, 1951. The growth of paper work in industry is illustrated by the fact that between 1900 and 1940 the number of clerical workers had grown two and one-half times as fast as the number of production workers. Mr. Graham points out that the best approach to eliminating the serious waste traceable to inadequate or inaccurate paper work is a program of work simplification, and he outlines the basic principles underlying such a program.

LET'S HAVE LESS EXPERTING. By Herbert E. Green. *Office Executive* (132 West Chelten Avenue, Philadelphia 44, Penna.), June, 1951. A clerical work-simplification program such as that described in this article will repay its cost twenty times over, says Mr. Green. For maxi-

mum effectiveness, the program should be worker-centered, with less reliance on experts. In order to accomplish this, management must train the individuals on the job in some of the basic principles of engineering techniques.

FORMS CONTROL FOR PURCHASING AGENTS. By J. F. Dunleavy. *Purchasing* (205 East 42 Street, New York 17, N. Y.), July, 1951. It is authoritatively estimated that some \$100 million annually could be saved by a careful study of forms presently in use. This article, while directed mainly to purchasing agents, contains a number of helpful suggestions on the efficient and economical design of forms that will be of interest to other executives concerned with paper work.

HOW ACCOUNTANTS CAN LEARN MORE ABOUT PROPER APPLICATION OF BUSINESS MACHINES. By James B. Griffith. *The Journal of Accountancy* (270 Madison Avenue, New York 16, N. Y.), July, 1951. Some accountants are inadequately skilled in applying business machinery to specific accounting problems, and in knowing what kind and size of company can use what equipment to advantage. However, manufacturers of business machines are doing much to help accountants use their equipment properly and successfully. This article presents several manufacturers' descriptions of their own educational facilities open to accountants.

Personnel Management

YOUR IN-PLANT FEEDING: HOW GOOD?

MANPOWER, money, and service were the big in-plant feeding headaches of World War II, and they still are, according to a recent survey of in-plant feeding in 240 manufacturing companies employing 667,395 workers. However, the evidence indicates that the companies surveyed have learned a lot from their previous experience and are applying this knowledge to the solution of these problems. The following information about their food service may give you standards by which you can judge your own—and improve it:

How to make the best use of manpower. An analysis of foodworker-customer ratios in most of the plants surveyed revealed that snack bars and mobile food carts are the in-plant feeding systems that make the best use of manpower in relation to number of customers served. Though you can't compare the quality of service from a snack bar or food cart with a hot meal in a cafeteria or restaurant, employers who use them say that these "short-order" types of service reach more workers and enjoy a higher percentage of patronage than the more elaborate setups. Since they cost less, they also tend to break even more often.

Other methods of making better use of available manpower suggested by employers in the field visits are (1) multiplying job assignments to cut duplication; (2) self-busing to reduce clean-up staff; (3) use of paper service to cut dishwashing; and (4) part-time use of employees to add flexibility.

Company Policy. Practically no one expects to—or does—make money on in-plant food services. In general, how-

ever, your chances of getting off without a loss are better if you hire an outsider to run your food service. Company-operated services were in the red 75 per cent more often than those run by outsiders. More employers than ever are now passing food service management on to others, the survey shows.

Where outside caterers are used, the arrangements vary. The general practice is to "give away" rent, light, heat, and fuel. The two most popular plans for caterers are to let them take all profits or losses or to pay them a stated fee for managing the food service.

According to the survey, if you're "average," you're losing about \$6 per employee per year on your food service. Though many companies are startled when losses are reduced to an annual *per capita* basis, they are quick to conclude that, in these days of liberal "fringe" benefits, the average loss appears rather small. Substantially less, for example, than a single paid holiday.

If however, you are losing more money than you think you should be, there are at least three things you can do:

1. Look into the possibility of getting an industrial caterer, assuming you don't have one already. On an operator-take-profit-or-loss basis, your chances of breaking even are good.

2. Look into the demands you're making for special service. Are they reasonably costly, unnecessary?

3. How about waste of food, inefficient purchasing, and unattractive menus that turn customers away?

Trends in Service since World War II. Employers are feeding more of their

workers than ever and using more types of service to do it. In November, 1950, 206 companies were feeding an average of 59 per cent of their 667,395 workers. At the height of World War II—1944—the national average was only 40 per cent. By this standard, employers are currently feeding almost 50 per cent more workers.

Cafeterias are by far the most popular type of food service, followed by mobile food carts and snack bars. Also, since World War II, use of vending machines for food and drink purposes has increased 75 per cent among the 118 firms that gave full figures for wartime and present operations.

As a result of widespread acceptance of responsibility for in-plant feeding of workers, several changes in thinking have been taking place in industrial plants:

1. Employers say they are paying more attention to the "forgotten worker," who is too far away to make use of the cafeteria. That's one of the big reasons behind decentralizing service with snack bars and mobile food carts—also for set-

ting up supplementary service with vending machines.

2. Rules forbidding men to eat at their workplaces are steadily going out.

3. Operating executives seem to be losing their fear that vending machines will disrupt production.

4. A good many plants are leaning away from handling cash in their snack bars and mobile food carts. Some have actually abandoned cash entirely, substituting meal-ticket systems.

5. Plant food services are getting to be more democratic. Special treatment for select groups is widely regarded as poor industrial relations.

In general, survey results indicate that in-plant feeding is here to stay. Workers expect it, and the great majority of employers take it for granted as the thing to do. If you employ 500 workers or more and aren't providing food service, this is a good time to start preparing for the day when you may have to go into the food business. In a tight labor market, you may find—as many did in World War II—that you'll be glad to do things you never thought you'd do.

—*Factory Management and Maintenance*, May, 1951, p. 120:6.

Scientific Personnel Now Number Half Million, BLS Reports

THE NATION'S engineers and scientists—a group vital to American leadership and survival—now number about 575,000, less than 1 per cent of our total labor force. However, more than one out of 10 of our trained technical personnel are of draft age, it was noted by the Labor Department's Bureau of Labor Statistics, which has just published an analysis of the nation's scientific resources.

The new survey reports a record number of degrees conferred in the past three years but goes on to predict a sharp fall in undergraduate students over the next several years, due primarily to a drop in veteran enrollments. The decline would be further accentuated by the withdrawal of men for military service.

Private industry and such organizations as hospitals, research institutes, consulting firms, and commercial laboratories, employ about two-thirds of our scientists and engineers, while educational institutions provide jobs for an additional one-tenth. One out of every four works for the government, which employs about 90,000 engineers, 18,000 specialists in biological, agricultural, and medical science, 17,000 chemists, and 3,500 physicists.

Single copies of the study, entitled *The Nation's Scientific and Technical Manpower*, will be available without charge from the New York Regional Office of the Bureau of Labor Statistics, 341 Ninth Ave., New York 1, N. Y.

A PRACTICAL APPROACH TO THE RETIREMENT PROBLEM

THE PRESENT DRIVE for rapid industrial mobilization reinforces the necessity to encourage the employment of physically and mentally competent older workers regardless of age or retirement status. At the same time, both management and labor have a stake in not losing the gains made in the orderly and adequately compensated retirement of workers who in normal times would be considered too old to maintain efficient production. The question is, therefore: How can we assure the reemployment or continued employment of workers of post-retirement ages now without breaking down established arrangements for orderly retirement?

The answer seems clear. Fixed retirement ages serve a useful industrial and social purpose and should be preserved even in times of industrial mobilization. They have a long-run value of fundamental importance to both industry and the wage earners of the country. At the same time, workers past the fixed retirement age should be hired, if competent, to raise production levels as rapidly as possible. But such workers should be hired or continued in an entirely distinct status from that of younger workers.

—J. DOUGLAS BROWN in *Proceedings of the Third Annual Meeting of Industrial Relations Research Association*. (Order from the Secretary-Treasurer of the Industrial Relations Research Association, Park and University, Temp. 3 Room 5, Madison, Wisc.)

They should not be included in seniority systems nor acquire service rights. Their service rights as embodied in retirement annuities should be fully respected and unchanged. They should be rehired or continued on the basis of what they do and earn at 66 or 70, year by year, not at what they were doing and earning at 50 or 60. By full recognition of (1) the security and fixity of retirement benefits and procedures and (2) the current capacity and worth of the older man, both the valuable institution of orderly retirement and the valuable contribution of older workers to peak production are assured. More older workers will be employed if their wage rates are adjusted to actual productivity. More of these workers will be interested in seeking employment if their pensions are not cancelled by return to duty.

Sound industrial relations policy must reflect sound economics, respect for valuable social institutions, and the need for both security and progress. If concern for the older worker is to be more than sentimental self-righteousness, we must make definite arrangements for the reemployment of retired persons which fit the framework of modern industrial institutions.

AMA FALL PERSONNEL CONFERENCE

The Fall Personnel Conference of the American Management Association will be held on Monday, Tuesday, and Wednesday, September 24-26, at The Waldorf-Astoria, New York City.

LET YOUR EMPLOYEES DO THE TALKING

ALL TOO OFTEN business insists upon talking about itself, a psychologist remarked wisely. But perhaps it is the employee who should do the talking.

With this thought in mind, officials at the Washington Water Power Company recently proposed to let employees educate themselves. "Once each month we will have a panel discussion relating to private enterprise. After the panel discussion, a slide story of our economic system will be presented by employees. After that, someone may refresh employees' minds regarding facts about our own company. When this part of the program is ended, pamphlets may be distributed to help still other employees who may be called upon to talk in next month's panel."

"Is that all?" asked one employee, sensing responsibility.

"That is only the start," replied company officials. "For the big job we propose a contest to see which employee can take this same story of our business system to the greatest number of employees in outside firms."

With some preparation, a model panel discussion was then held. Others followed. Assigned to specific subjects each month, with attention riveted to half a dozen supporting questions, panel members discussed such topics as: Is government in business a step toward socialism? Which system of government is most wasteful—capitalism or socialism? Is private business more wasteful than government? What actually has made America prosperous?

The colored slide story of America's economic system that followed the panel discussion merely emphasized facts and figures and crystallized audience conclusions. Simple in preparation, the 68 slides made serious efforts to capture employee interest. The stenographer, the mill hand,

the mechanic were all identified. Pointing out that 60 million American workers compete in a great game to provide goods and services better than somebody else in hope of reward, employees reminded fellow-workers in the audience that any man may start his own business venture if he so desires.

When it was time for the local manager to recall how the company started, when tax problems, profits, the firm's contribution to employee security, and the social and economic wealth of the community were discussed, questions were invited from the floor.

The problem of carrying this formula to employees in other firms arose. A solution to this stumper was given when 150 employees again in 30-odd panel discussions told how they personally would and could get the job done. It was agreed that a model "hour of learning" should first be presented to the Chamber of Commerce in each community.

Various WWP employees then contributed to the booking of the program. One employee used his own projector about town. A lineman made arrangements with the labor council. A salesman arranged for two showings with a city mayor. A cashier made contact with 158 members of P.T.A. In Spokane the Chamber of Commerce volunteered to promote the program.

During a period of 60 days, wherein 122 panel discussions and slide showings were held, the following were some of the things accomplished by company employees: 52 talks on the subject of free enterprise, plus 142 employee talks on general subjects; 87 window displays in company stores featuring civic projects; 3,086 personal greeting cards mailed; 3,721 pieces of literature distributed by hand; 193 film showings; 1,453 newcomers receiving routine calls, plus 170 given

neighborly visits; and 10,489 deliberate good deeds to customers in need.

"This effort by Water Power employees is only a start," says Kinsey Robin-

son, president of the company. "America has 60,000,000 workers who should have a sympathetic understanding of factors that have made America great."

—KIMBALL JACK (Advertising and Publicity Manager, Washington Water Power Company, Spokane, Washington). *Edison Electric Institute Bulletin*, April, 1951, p. 121:3.

Employment Opportunities for the Aged

A SURVEY of job opportunities for older workers has been conducted by the United States and State Employment services in California, New York, Ohio, Pennsylvania, and Texas. (There are at present 11½ million persons aged 65 and over; 31 million are in the group between 45 and 64.) This survey of one-third of a million older workers emphasized the following points:

1. Though employment opportunities for older workers improve when the labor market is tight, there still is evidence of employer resistance.
2. Seniority clauses protecting older workers while they are employed are common in collective bargaining, but these do not help when the workers are displaced through industrial change or for other reasons. Once unemployed, older workers have greater difficulty in finding work than their younger competitors.
3. Prejudices and misconceptions about older workers are reflected in the discriminatory age requirements which exist. The time in life when a worker becomes "too old" varies with occupation, industry, and location of the job.
4. Older workers tend to gravitate toward jobs where employer resistance is lightest, particularly service jobs and skilled trades.
5. Workers given the benefit of counseling and individual placement service have twice as many employment opportunities as those who are not.

—Research Council for Economic Security, Chicago, Illinois

Most Job-Seekers Tell the Truth

THAT MOST JOB-SEEKERS have well-polished halos may surprise some skeptics. But the fact is that you generally can count on a truthful answer from the average applicant when you ask him what his former job was and how much he earned on it.

Here are some examples of the kind of results you can expect if you check job-seekers' statements back against the records of their former employers. The conclusions are drawn from *Minnesota Manpower Mobilities*, Bulletin 10, issued by the Industrial Relations Center, University of Minnesota, Minneapolis.

Wages: "Employees' reports of hourly wage rates, both at the beginning and ending of a job, had a high degree of validity." (Correlations of .85 to .97).

Reported job assignments: "For jobs held in the most recent year, employee and employer reports were consistent in more than 90 per cent of all cases."

—*Factory Management and Maintenance* Vol. 109, No. 2

GENERAL MOTORS at Detroit, Michigan, found that a worker who had to travel more than 45 minutes to get to work became a problem. He was usually more irritable, hurried in his work towards the end of his shift, and was generally more difficult to deal with.

—*Personnel Panorama* (Pacific Northwest Personnel Management Association) 6/51

WHY WASTE MANPOWER?

WHEN DR. WILLIAM OSLER proclaimed his theory that a man becomes virtually useless after reaching the age of 40, he inflicted real harm on a lot of thoroughly capable men and on industry in general. He misled management by giving it the idea that the older and more experienced men were not an asset but a liability.

Economical mass production demands workers who are alert enough to operate efficiently the many types of specialized machines, for these represent large capital investments. Over-all efficiency, however, may not always mean the highest output in a single day, but rather steady production over longer periods. Downtime cuts production more than many people realize, and it is here that the older man, with his long experience, may be truly more efficient than the man who can make a big showing over short periods but does not take the best care of his machine.

One large concern, some years ago, had a plan whereby a man who had become too slow to keep the production-line pace was transferred to another department. Here he earned, or at least received, the same average weekly rate. The difference be-

tween what he actually earned and what he received came from what might be called a Pre-Pension fund. Needless to say, plans of this kind build loyalty and have much in their favor. They improve morale and also retain the skill and experience of men who have been trained in their work.

The all-too-common plan of demoting workers to elevator operators or watchmen should be avoided where possible. Workers who can still turn out excellent work, even at a slower pace, should be utilized, both for what they can produce, and for the effect on their morale and on that of employees who are approaching retirement age. To put a skilled toolmaker on a laborer's job utterly fails to recognize his worth and deprives the plant of value it might receive.

It may take real and difficult planning to find the right solution to fit modern production methods. Any measures taken must not be allowed to slow down production lines where speed is necessary to utilize equipment as close to 100 per cent as possible. But places should be found where the skill acquired over the years can be utilized at a slower pace.

—FRED H. COLVIN. *American Machinist*, July 9, 1951, p. 139:1.

HANDLING THE ANNUAL OUTING

THIS YEAR, because there are so many new employees around, special attention is being paid to advance publicity for that annual event—the company picnic. If your company is in the process of working out the details for its outing, here are some ideas from the field that will help insure full and friendly attendance:

Neat, original—yet simple—bit of publicity is the "Summons" sent out to all

employees by the Milwaukee Gas Light Company. Following the style of a court writ, this novel device contains all the necessary data about the picnic and lends a note of urgency to the request to attend.

Bakelite uses the following technique to advantage: First step: announcement of picnic date. Second step: letter to employees a month and a half in advance

asking how many will attend from family. Third step: letter to each employee enclosing tickets. Fourth step: weekly bulletin board reminders about picnic features.

A perennial problem that troubles picnic planners is how to keep unauthorized persons away from the company picnic. Too often, these affairs are field days for professional gamblers and other connivers out to fleece the unwary worker. More and more companies are finding that it pays off to make plans in advance for handling persons who try to crash the gate. Here are some suggestions:

At Monroe Calculating Machine Company, employees and families who expect to attend the picnic are given large, inexpensive badges made of cardboard and studded with tinfoil. A committee of workers guards the entrance and turns away anyone without the company badge.

They're even stricter at the picnic given by the *Register and Tribune* of Des Moines. There, employees must make reservations in advance for families and guests. Special name cards are picked up at the entrance booth of the picnic grounds. Employees must accompany any guests they bring.

American Type Founders ask for and get local police cooperation when their picnic is held. One man acts as gate guard and refuses admittance to anyone without a company badge. Another patrols and maintains order within the picnic grounds.

—Employee Relations Bulletin (National Foremen's Institute).
May 23, 1951, p. 10:3.

ATTITUDES TOWARD ARBITRATION: A SURVEY

WHAT'S THE PRICE TAG on an arbitrator? One answer is that management is willing to pay even more than the valuation an arbitrator places on himself. This is one of the noteworthy facts turned up

The outsider is not the only trouble-maker at company picnics. There are always a certain number of employees who drink too much, start gambling activities, or otherwise throw a monkey wrench into the company's planned program. A variety of ways to handle these individuals has been developed. Here are some that rank and filers themselves approve:

At Monroe Calculating, members of a worker committee patrol the grounds and keep an eye on card games so that they don't get out of hand. Worker patrols see to it that strangers don't take part in any "friendly" card games. Craps and other nefarious games are not allowed. Men who become intoxicated are refused participation for a full year in any of the company's recreational activities.

The DuPont Plant in Kearney, N. J. lets the union manage the picnic; it finds that its representatives are quite strict in seeing to it that the affair is well run.

At the Bakelite picnic, executives act as bartenders; they refuse to serve anyone who appears to have had enough. The company also hires special police who eject any person causing a disturbance.

Many companies find that opening the picnic to the families of employees tends to have a sobering effect, also stimulating greater participation in planned contests and special events.

in a recent survey by the American Arbitration Association. In this survey, labor and management representatives, arbitrators, and others were quizzed on arbitration costs, the length of time needed to

study a case and prepare an award, the advisability of the single arbitrator versus the tripartite board, and the relation of mediation to the arbitration process.

The figure named by management men as a reasonable per diem fee for an arbitrator averaged \$71.73, compared with \$57.65 named by labor. The arbitrators themselves thought \$60.21 reasonable. The average fee named by all the conferees came to \$64.34.

The majority went on record as favoring limitation of the number of study days spent examining evidence and writing an award, with three-fourths of the entire group backing the limitation idea. The arbitrators, however, were least inclined to go along with this.

In setting the actual ratio of study days to hearing days, the unions were again on the side of economy. Sixty-one per cent of the labor people favored one day of study to one hearing day, compared with 47 per cent of management. The silence of the arbitrators on this point was significant. These men, who presumably know best about what is involved in going over evidence and preparing a decision, declined to answer this question, feeling that generalizations were almost impossible.

The respondents were strongly in favor of having a single arbitrator rather than a tripartite board settle grievance cases. The idea was indorsed by 79 per cent of management, 86 per cent of the union people, 92 per cent of the arbitrators, and all the others quizzed.

The story was different on wage-rate disputes, however. Here the percentage favoring a single arbitrator dropped; 60 per cent of management, 54 per cent of labor, 67 per cent of the arbitrators, and

20 per cent of the other respondents thought that one arbitrator was advisable. This decline in percentages favoring one arbitrator reflects the thinking that the special knowledge of partisan representatives is advisable in wage disputes.

But the swing was sharply in favor of a tripartite board in disputes over new contracts. The arbitrators alone remained unconvinced of the wisdom of a three-man board, even in such instances. The problem of a deadlock in a tripartite board found the majority in agreement that the impartial chairman should then be given power to make the decision by himself.

A surprising finding of the survey is that most of the respondents felt that their first choice as arbitrator would be a part-timer, a man who has some other occupation or profession, but derives a substantial amount of income from arbitration. Is this an indication of distrust of the professional full-time arbitrator?

The relation of mediation to arbitration was also covered. In answer to the question of whether an arbitrator should try to mediate a dispute arising under the grievance procedure of a contract, 67 per cent of the group said no. The arbitrators were most opposed to this concept; 92 per cent of them were against it, compared with 60 per cent of management and 55 per cent of labor.

The reaction of the group as a whole was just about the same to a query about mediation in cases involving a new contract; 68 per cent opposed it. The arbitrators, however, were less united in their opposition to mediating a contract dispute. Union opposition increased.

—EXECUTIVE'S LABOR LETTER (National Foremen's Institute, Inc.). May 24, 1951.

HOW LONG does it take the average worker to earn \$10? In Russia 81 hours, in England 19, in America eight. —EDWIN VENNARD in *Edison Electric Bulletin* 6/51.

PRACTICAL SUGGESTIONS FOR SUPERVISORY TRAINING

TO HELP you plan a supervisory training program, here are a few suggestions based on more than 10 years' experience at the Owens-Illinois Glass Company:

The training of foremen and other supervisors does not consist merely of a series of meetings. Their training with a company consists of the total of their experiences in this company, beginning the day they were hired and continuing right through the present. They are getting training every hour and every day—for better or for worse. What are you consciously doing to make it good training? This is something to think about.

A major aim in most supervisory training is to improve the morale of the people who work under the supervisors in the various departments. We know that the supervisor is the *company* to the people under him. What are you doing about his morale? Does he feel secure as long as he does good work? Does he feel that good work is appreciated? Does he feel that his personal problems will get consideration from those above him? Does he know exactly who his boss is? Does he know where his responsibility ends and the next supervisor's begins?

As you plan your program don't think in terms of subjects and courses. Think of *problems*. What is the biggest job to be done in this plant? What causes a supervisor to work long hours of overtime or to worry about his job after he goes home? Start out by listing your major

headaches. Then decide what your subjects should be and how you should present them.

One of the commonest criticisms of supervisory meetings is that they don't do the supervisor any practical good. The best way to prove to him that his time is better spent in the meeting than on the job is to give him help in the meetings that will help him solve problems on the job. Keep away from the schoolroom atmosphere. Some plants avoid the words "training" or "education" or "class." Start with the problem and work back to the theory, instead of starting with the theory and hoping that the supervisor can apply it practically in all its ramifications.

So often in our meetings for supervisors we just talk at them, hoping some of it will stick, though the evidence is against us. Go at it from the opposite angle. See how much you can get the supervisors to tell you and to tell each other. Try out the principle that *one word from the supervisor himself is worth 10 words from the speaker's platform*.

Think of ways to get the supervisor to take an active part in the program. Make it his program. Get him in on the planning. Give him assignments to carry out. Look to him and his group to supply the answers as well as the questions. This is not the easiest way to do the job. It takes work and ingenuity, but the rewards are worth it.

—Personnel Newsnotes (General Industrial Relations Division, Owens-Illinois Glass Company, Toledo, Ohio). June 20, 1951.

SIX PAID HOLIDAYS are not standard as they were a year ago. General Electric has come through with a seventh holiday—Election Day. Over 30 per cent of the union agreements signed during the past six months have provisions for an increased number of paid holidays.

—LAWRENCE STESSIN in *Mill & Factory* 2/51

Retaining the Interest of "Retirees"

RETIRED EMPLOYEES ARE STILL EMPLOYEES as long as they share in the company retirement plan and receive checks from the firm, one company officer told us recently, and they like to treat them as such. In one firm, the retired workers share in all company activities, including social events, picnics, annual dinners, house organ, suggestion system, etc. A company newspaper has a column devoted to keeping in touch with "alumni" and former employees. Another firm pays the same awards to retired workers for suggestions and ideas for improving methods as to those on the active payroll.

—*Personnel News Bulletin* (California Personnel Management Association)

Paid Vacation Practices: A Survey

PAID VACATION BENEFITS for hourly workers "just about equal" those traditionally granted to white collar workers, according to a recent study by the Conference Board of the paid vacation practices of 303 manufacturing and non-manufacturing companies.

In certain respects, the hourly workers in these companies "have even passed" the white collar workers. For example, among 273 companies employing hourly workers, 44.7 per cent grant a three-week maximum paid vacation. Among the 301 companies that employ salaried workers, a smaller proportion have a three-week vacation allowance.

Employees in most of the manufacturing companies participating in the survey still get a maximum paid vacation of two weeks or less. However, three-week vacation maximums have become increasingly prevalent. When it comes to a vacation of four or more weeks, companies are more liberal with their salaried employees: twelve of the manufacturing companies grant a paid vacation of four or more weeks to longer-service salaried employees; hourly employees in only eight companies enjoy the same benefits.

Among the non-manufacturing companies, three weeks maximum paid vacation is dominant for employees with longer service. None of the non-manufacturing companies places a ceiling of one week on the vacation allowances for either hourly or salaried employees. In relatively few companies—15.2 per cent for salaried; 20 per cent for hourly—is there a two-week vacation limit.

In most companies in this survey, the longer the employee is with the company the more vacation he is likely to get. Minimum and maximum allowances "vary greatly."

The most prevalent graduated vacation allowances for hourly employees are one week after one year and two weeks after five years. When added vacation time is granted, most frequently it is a third week after 15 years and a fourth week after 25 years.

For salaried employees in the companies surveyed, the vacation schedules most frequently allow one week after six months, two weeks after one year and, when given, three weeks after 15 years and four weeks after 25. Employees in every company participating in this study receive some vacation time off after they have at least one year of service.

In the companies studied, vacation allowances for executives range from no vacation at all to no limit on time off. But for the majority, vacation allowances for executives are the same as those for other salaried employees.

In the past, few companies have bothered to formalize their vacation plans for executives. A 1945 survey of vacation practices in 175 companies showed that only eight had a formal policy covering executives. In 1946, a survey of 136 companies showed that only 3 per cent had a formal policy covering executive vacations. Of the 303 companies participating in the survey this year, 49 indicate that they have a formal vacation practice for executives that differs from that set up for salaried employees.

Also Recommended • • •

SELECTION, TRAINING, AND STATUS OF SUPERVISORS: I—SELECTION. By P. F. C. Castle and F. I. de la P. Garforth. *Occupational Psychology* (National Institute of Industrial Psychology, 14 Welbeck Street, London, W. 1), April, 1951. Current methods of selecting supervisors leave a great deal to be desired, and there is ample evidence that they could be made more efficient by the use of well-established psychological techniques. This conclusion is strongly reinforced in this article by a comparison of existing practices and experimental selection schemes undertaken, which included the use of intelligence and foremanship aptitude tests, interviews, group sessions, assessments by superiors and by equals and subordinates, pre-promotional training, probationary periods, and a final selection panel.

HUMAN AND SOCIAL IMPACT OF TECHNICAL CHANGES. By Solomon Barkin. *Proceedings of Third Annual Meeting of Industrial Relations Research Association*, December, 1950. 388 pages. (Available from the Secretary-Treasurer, Industrial Relations Research Association, Park and University, Temp. 3, Room 3, Madison 5, Wis.) A union spokesman examines the human and social costs suffered in the course of changes in the agricultural and industrial arts, which in the long run are the key to progress. Mr. Barkin points out that attention to the problem of maintaining people during periods of readjustment and rehabilitation will reduce fears and resistance to change to a minimum, and will increase the acceptance of changes.

THE INDUSTRIAL AND ECONOMIC IMPACT OF TECHNOLOGICAL IMPROVEMENT. By Richard D. Gleason. *Proceedings of Third Annual Meeting of Industrial Relations Research Association*. December, 1950. 388 pages. (Available from the Secretary-Treasurer, Industrial Relations Research Association, Park and University, Temp. 3, Room 3, Madison 5, Wis.) A management spokesman examines various aspects of the problems created by technological improvement, including the distribution of the resulting benefits, effects on employment, "make-work" schemes, etc. According to the author, much of the technological change of the past has created new products and new jobs more than fast enough to absorb the workforce of the old industries or products that have been outmoded.

FREE MEN VS. THE UNION CLOSED SHOP. By Donald R. Richberg. *The Freeman Magazine* (240 Madison Avenue, New York 16, N. Y.), July 16, 1951. In this article, the co-author of the Railway Labor Act and of the National Industrial Recovery Act of 1933 weighs the pros and cons of the union closed shop and concludes that such a shop is an attempt "to deprive men of an essential of 'life' (the earning of a livelihood), an essential of 'liberty' (freedom to work at one's trade), and an essential of 'property' (the ability to sell one's own labor)."

DENTISTRY AT THE FORD MOTOR COMPANY. By Grant MacKenzie. *Industrial Medicine and Surgery* (605 North Michigan Avenue, Chicago 11, Ill.), July, 1951. Dr. MacKenzie describes the operation of the Ford dental department, which was established to treat dental injuries, give personal dental advice, and provide emergency relief from dental pain for its employees. For the past three years, this department has averaged 3,300 visits per year and has called the employees' attention to many oral conditions that must be referred to family dentists.

MUNICIPAL ORDINANCES AGAINST DISCRIMINATION IN EMPLOYMENT. *Nation Reporter* (P. O. Box 275, Cathedral Station, New York), June 1951. Nineteen cities now have ordinances against racial and religious discrimination in employment. This article discusses the applicability, methods of enforcement, and impact of such ordinances. In terms of applicability, the ordinances fall into two groups: (1) those which apply only to employment by the city, its agencies and subdivisions, and contractors with the city; (2) those which apply also to private employers within the city.

THE EXPANDING SCOPE OF COLLECTIVE BARGAINING. By Richard C. Smyth. *The Personnel Journal* (245 Ogden Avenue, Swarthmore, Penna.), March, 1951. Only a few years ago union bargaining was concerned solely with hours and wages. Now it covers many things, and where it will stop is problematical—though Mr. Smyth points out that there are a number of tangible guides management can follow in determining its legal obligation to bargain on specific subjects. By tomorrow, he declares, guaranteed annual wage plans and even some voice in determining selling prices may well be on organized labor's regular bargaining agenda.

USE OF QUALITY CONTROL ON 100 PER CENT INSPECTIONS

THE FIRST THING to be known about daily, routine 100 per cent inspection is that it is not 100 per cent. This observation can be tested by having several lots rescreened or by sampling the screened lots, using one of the statistical quality control techniques. Examination of the rejects from a screening often reveals at least a scattering of acceptance work among them. There are perhaps three major reasons for this deficiency:

The first of these is monotony. Many other repetitive manufacturing operations are monotonous, but on production, at least, the worker is making something.

Coupled with monotony is fatigue, another factor largely overlooked or ignored by modern industrial efficiency engineering. If it is a visual inspection, the eyes get tired; if it is gauging or testing, the muscles weary. But most important and least thought of is the mental fatigue of screening at a rate of 1,000 pieces per hour and making 1,000 decisions per hour. The mind, somewhat like the heart, automatically stops to rest at times, and it is during these brief but regular periods that the damage is done. Reasonably frequent rest periods and planned diversity of work are commonly overlooked solutions of these fatigue and monotony problems.

The third general cause of 100 per cent inspection difficulty is ineptitude. Where 100 per cent inspections must be endured, some form of aptitude testing, some degree of scientific selection, would seem to pay off. Inspectors and inspection methods can be readily tested, compared, and evaluated by the practical use of quality control sampling tables.

The first step is to add to the existing 100 per cent inspection routine a sampling inspection station and route the batches, lots, or orders of work normally screened to this station, where an inspector samples each lot. If the sampling shows that the batch is free from defects or that any substandard work it may contain is below a predetermined level or percentage, the lot is not given a 100 per cent inspection. If, however, this sampling discloses an undesirable percentage of defective work in the lot, it is sent on to be screened by 100 per cent inspection.

The second important step in this system is to establish a third check inspection station. Work that has been detailed by 100 per cent inspection goes to this station where it is sampled. If it is "clean," it is sent on; if not, it is returned to the 100 per cent inspection unit.

The inspection system described above pays several dividends. Manufacturing departments often produce lots containing less than the prescribed percentage of defects. Under the traditional 100 per cent inspection setup, these "clean" lots go through the mill just the same. If the screening of 10 per cent of the work could be avoided by the preliminary check sampling stunt just mentioned, plus some extra quality control back in the shop, it is obvious that 10 per cent of the screening inspection payroll could be saved.

This preliminary lot sampling also seems to focus attention on the possibilities of producing better quality. If the shop can make 10 out of 100 batches that don't have to be screened, why can't it up the figure to 20 out of 100 or higher?

Furthermore, the preliminary sampling brings in another bit of psychology. The mere fact that the 100 per cent inspection group realizes it will not have to detail every blessed lot from production gives it a lift, and the caliber of 100 per cent inspection improves.

The use of check sampling after the lots are screened has the comfortable effect of assuring the quality of the goods being shipped or going to assembly.

—*Modern Machine Shop*, October, 1950.

WHAT IS THE IDEAL UNIT OF WORK?

IN MANY manufacturing processes, the unit work cycle has been reduced over a period of years—partly in connection with the use of improved methods, and partly because the training of new workers is thus simplified. As a result, a reduced work cycle has become associated with readily measurable increases in production per man-hour. Actually, however, a very short unit work cycle may have certain disadvantages which can be estimated only subjectively; it is said to give reduced job satisfaction and to increase "monotony."

Between August, 1948, and May, 1950, a research study was undertaken by the Human Factors Panel of the Committee on Industrial Productivity with these objectives: (a) to investigate the size of the unit work cycle in relation to the total work cycle and to seek principles underlying its relation to job satisfaction and production efficiency; and (b) to examine the relation of batch size to job satisfaction and production efficiency, and to seek underlying principles. Among the findings immediately relevant to industry are the following:

Batch Size. Where material is now issued in a batch lasting for half a day, it is advisable that it be cut to batches

lasting one to one and a half hours, provided that the collection of smaller batches does not involve undue extra work.

Practical experience indicates that small batches are most appreciated by learners and people working at time rates. This suggests the issue of reduced batches to learners, of, say, half the normal size. Transfer to full-sized batches could mark a stage in attaining proficiency and might act as a target in learning. Piece-rate workers seem to be unaffected by batch size.

The above findings cover only a limited number of cases, and, therefore, may not be widely applicable. Also, these recommendations are more likely to be effective in work on small objects and on simple tasks.

Unit Work Cycle. A major problem, admitted by most production engineers, is that of obtaining balance between operators in a production line. Reasonably long unit work cycles may be desirable here since they allow more scope in adjusting the margin between one operator and the next. This refers to the balancing of operations as such and not to variations introduced by individual differences of operators.

Where operators work singly, they can vary their rate of working from minute to minute without holding up anyone else. In a flow line, this is not possible unless some allowance is made for a small stock of semi-finished material between operators. Since operators do, in fact, work at rates which vary throughout the day, provision should be made for such stocks.

The findings suggest that beginners have no particular preference for a long unit work cycle, and, in fact, that for a considerable period they may prefer a short cycle; but when they have fully mastered a task, they may benefit from the stimulus of learning to do a more complex task.

—DAVID COX and K. M. DYCE SHARP. *Occupational Psychology* (National Institute of Industrial Psychology, 14 Welbeck Street, London, W.1), April, 1951, p. 90:18.

World Shortage of Raw Materials

FOR THE PAST TEN YEARS manufacturing has been steadily outrunning the production of raw materials. This basic distortion is a key factor in the short- and long-term economic outlook. It is, in addition, aggravated by the current rearmament programs.

The seriousness of the problem is indicated by United Nations figures showing a 60 per cent rise in industrial output since '37-'38, while virgin raw materials have increased an average of only 34 per cent—a differential of 26 per cent. Before Korea, the differential was 18 per cent. Complicating the picture is the fact that the U. S. has steadily taken a growing share of total world output.

Business planning must, therefore, consider these factors:

1. The raw materials shortages are permanent; no developments give any hint of a solution.
2. There will be more international agreements to allocate scarce materials.
3. Prices of raw materials will go higher. Despite the talk about world-wide price stabilization, the most that can be done is the establishment of loose ceilings within a wide range.
4. Since commodity prices will rise faster than prices of manufactured goods, the bargaining advantage in world trading will be with the countries producing raw materials.
5. U. S. imports of raw materials will increase in both volume and dollar amount, while countries and areas producing the needed commodities will, in turn, be good markets for U. S. manufactured goods.

—*Foreign Report* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.) 7/11/51

Strike Back—Give to Conquer Cancer!

THE SELECTION OF MATERIALS-HANDLING EQUIPMENT

SINCE THE WAREHOUSING and trucking of products are involved in the operations of every plant, good materials handling is vital to a company's efficiency. We cannot, therefore, give too much thought and study to procuring exactly the types of equipment that will be of maximum utility and thus keep to a minimum the costs of physical distribution.

In selecting materials-handling equipment, the following questions should be considered: What is the need that is to be filled? What are the conditions under which the equipment must work? What is the nature of the commodities to be stored? What is the length of the haul from unloading to storage? What are the physical characteristics of the warehouse? In the light of these questions, it becomes clear that equipment tailor-made to suit a particular operation is the goal to aim for.

There are certain factors in the selection and use of handling equipment which may seem elemental; yet they did not become a part of our techniques without considerable thought, planning, and experience.

A straight line, as is well known, is the shortest distance between two points. It is sound practice, therefore, to consider the distance between the point of unloading or loading and the storage point. If that distance is not more than 250 feet and the goods are palletized, a fork lift will perform most efficiently. If the distance is more than 250 feet and up to a mile, the tractor-trailer train with its long line of heavily-laden trucks should be used, with the stacking operation performed separately. An important factor is the volume to be handled, coupled with the distance of the haul either in or out.

Before you select, be sure you are thoroughly familiar with where the equipment has to travel—into elevators, through

doors, etc. Determine the condition of roads and flooring between loading and unloading points and storage and what foot-pounds pressure your floors will safely stand. In this respect, it is always wise to keep in mind that *the lighter the equipment, the better.*

Turning for a moment from the powered machines in handling, the physical characteristics of a warehouse will go a long way toward determining types of manual handling devices and the method of moving goods from one floor level to another. In the multi-storied plant, the law of gravity can be put to work, though it also can be used with goods moving on the same level, on an inclined roller or skate conveyor. The use of conveyors will keep a continuous flow of goods moving on surfaces up to several hundred feet in length, saving time as well as equipment, fuel, and labor costs. You should consider, in the light of the needs of your individual plant, the use of the permanent and the portable conveyor, the latter in convenient sections so that it can be knocked down and put together. It will be found, too, that a conveyor will be most useful in an unloading job where it is impossible for the fork lift or other mechanized equipment to reach in for the goods. But always plan any conveyor systems you may envision, whether gravity-operated or power-belt driven, with an eye to not cluttering up aisle space.

In the selection of hand trucks, one of the chief considerations again is weight, both from the point of view of wear on floors and the fact that they are to be manually operated. Such trucks will be of great use in multi-storied warehouses and in the pickup of small-lot stock. Consider also the four or six-wheel truck for heavier loads if your floor load will stand

it and if you decide that it has advantages peculiar to your operations.

Palleting is, of course, one of the most important aspects of warehousing, distribution, and moving. The pallet and the fork lift truck together constitute an unbeatable combination in the saving of time, labor, and space. Again, the type of pallet must be determined by the type of operation, the goods to be moved and stored, the space into which it is to be placed, aisle widths, and other factors. Nevertheless, it is well to try to standardize as much as possible in order to keep down the numbers of types of pallets. Also, if at all feasible, all goods should be palletized as they are stored. It is fundamental that the largest possible pallets

be used, consistent with other factors, because the larger the pallets, the less the handling and the lower the cost.

In regard to binning, the warehouseman has almost a purely individual problem governed by the nature of the various types of goods stored. The use of bins need not be confined to loose issues or broken stock. Much space can be saved where there are many small lots of small packages of different types. Bins of correct depth, width, and type should be planned before erection. They may be built to the full height of the ceiling. Where low bins are better suited to an individual operation, the area on top may be used for stacking pallets or merchandise in bulk.

—From an address by J. LEO COOKE before the 1951 Materials-Handling Conference.

The Production Speedup Means Greater Fire Hazards

AS PRODUCTION INCREASES, so does the fire hazard. We learned during the last war, with its manpower shortages and production speedup, that special dangers develop that need special attention. Here are some suggestions:

Instruct new employees regarding fire hazards. Supervisors should know these hazards and outline them carefully as part of a new man's job-training.

Overtime means extra wear on men and machines. Fatigue may make employees careless of hazards. Extra care for over-busy machines is worthwhile. For example, electrical fires actually trended downward in World War II—despite hard usage and lack of replacements—because of superior maintenance.

Extra shifts require more men in the fire protection organization. Have trained men available on every shift.

Stockpiling demands complete fire protection. Subdivision, method of piling, location, sprinkler protection, and watch service are all important. Standards for the fire safety of most of these materials were developed during World War II.

Shortages of fire protective equipment may develop in any all-out war effort. Now is the time to replace out-of-date equipment and to supplement it if necessary.

Process speedups increase the fire and explosion danger. Industrial ovens are designed to operate safely at specified conveyor speeds, temperatures, and solvent evaporation rates. Speedup may result in the formation of explosive mixtures.

Watch out for special hazards in war-contract processes. Consult your insurance company and check safeguards carefully. Spraying of olive drab paint is an example: the residue is readily subject to spontaneous ignition. Water-wash spray booths that collect the residue as a water-sludge are the remedy.

The best plant defense against bombing is a well-trained fire organization. Eighty per cent of the damage from bombing is from fires. Build up a good fire organization and you'll have the best possible protection, peace or war.

—*Factory Mutual Record* 5/51

SINCE 1942, 4,500,000 older workers have been added to the nation's payrolls. Now, 36 out of every 100 men and women in industry are over 45.

—*The Employment Counselor* (Employment Counselors Association, Columbus, Ohio) 7/51

OUTLOOK FOR MACHINERY AND EQUIPMENT

If you have been holding off on machinery and equipment replacements in the hope of lower prices or earlier delivery, it might be wise to review your decisions now. Though some surveys report signs of softening in business, capital goods are slated to be high-priced and hard to get well into '52, regardless of a Korean truce.

Also, a recent recheck of management intentions shows that expansion and modernization plans have been revised upward since the truce talks. This contradiction is partly explained by the fact that many of these plans are based on anticipated civilian, not military, business.

Management should make every effort

to substitute "special machines" (adapted from mass-produced units such as light duty drill presses and spindle and feed units) for the large scarce standard units. Such improvising cuts down the need for scarce machines and helps release them for non-routine production.

Users of machine tools who have trouble getting replacement units should enlist the aid of manufacturers' field engineers and sales personnel. Their advice can be valuable in getting maximum output, retooling for new jobs, and anticipating needed repairs. Also, they may know of good used machines for which a swap can be arranged.

—Operations Report. Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y., July 17, 1951.

Pay for Re-Work

WHAT is the prevailing industrial policy in regard to pay for re-work? Of 21 employers in representative industries queried about their practices, 11 replied that it was their custom to pay the base rate for the job, a few adding only if the original operator performed it. Here is what some of the others said:

Company 1. For the first offense there is no penalty. However, for the second, we pay on only the base rate.

Company 2. Re-work done in salvage department. Incentive worker not penalized.

Company 3. If re-work is necessary because of operator's carelessness, he does it on his own time. If not, he gets piece-work rate.

Company 4. We pay a group bonus. There is no penalty.

Company 5. If re-work is due to employee, he does it on own time, unless his total earnings fall below base rate.

Company 6. If it is employee's fault, pro-rata incentive for bad work is deducted. If it is nobody's fault, base rate is paid.

—For the Informed Executive (Associated Industries of Cleveland) 7/1/51

Employee Vision Tests Up Production

MOTOROLA, INC. has reduced the number of defective units passing through its inspection department by 75 per cent through a system of employee vision tests, reported Dorothy Brinkley, R.N., head of the company's medical department, in an address before the Industrial Vision Conference of Purdue University.

It was pointed out that most of the work done at Motorola requires the worker to be but 13 inches from his work. Such close work, it was found, puts a premium on good vision.

In 1949, 100 employees of the inspection department were given eye tests, of which 30 per cent failed. Comparison further showed that while only 33 per cent of the best workers failed, 63 per cent of the below average workers did not meet the standard visual skill necessary to the job. This was clear evidence that their relative incompetence was due largely to faulty vision.

Motorola accordingly established a \$5,000 fund to aid employees financially in correcting their vision. The vision of 5 per cent of the employees could not be corrected. These were transferred to equal or superior positions within the company.

Vision tests are now a standard part of the physical examination given before a person becomes employed by Motorola. In 1950, 12 per cent of the 7,211 persons applying for employment were rejected because of bad vision, but 380 had purchased glasses to obtain a job.

Also Recommended • • •

MECHANICAL TIME STUDIES. By Alex N. Engblom. *Mechanical Engineering* (29 West 39th Street, New York 18, N. Y.), July, 1951. This is a discussion of registering instruments which make possible long-time analysis and daily measurement of how machines are running, how they are maintained, and how good the methods are. It is devoted mainly to a close examination of one such recording device, the centralograph, which, in one Swedish mill, has reduced delay times from 7.4 per cent of the total time to 1.1 per cent.

"SPECIALIST IN EVERYTHING," TODAY'S TM HAS UNLIMITED DUTIES. By Edward F. Lacey. *Shipping Management* (425 Fourth Avenue, New York 16, N. Y.), July, 1951. Many an industry has suffered substantial losses because of its failure to confer with the traffic department when contracting for new sources of supplies, planning new locations, or acquiring other plants, the author points out in this first of a series of four articles. He suggests that the traffic manager be made a member of the policy committee of the industry so that he will know of expansion programs and be able to give information on proposals before final conclusions are reached.

NINE INCENTIVE PLANS IN A 200-MAN PLANT. By Ford R. Larrabee. *Proceedings, Annual Fall Conference on Principles, Methods and Techniques for Increasing Productivity, Reducing Costs, and Improving Human Relations.* Society for Advancement of Management (84 William Street, New York), 1951. 212 pages. \$5.00. The vice president in charge of manufacturing for the Cincinnati Industries, Inc., describes here the company's incentive program, which entails specially designed incentive plans for foremen, department heads in manufacturing and financial divisions, sales department employees, plant engineer, head of laboratory, laboratory employees, the

clerical force, and the senior executive group. Outlines the provisions of each type of plan and the methods whereby they have been administered to achieve profitable results.

IF YOU CAN'T USE IT, SCRAP IT. Steel (Penton Building, Cleveland 13, Ohio), July 23, 1951. Industry could realize two million tons of good heavy scrap from "dormant" scrap, which comprises such things as obsolete machinery and items that are broken, worn beyond repair, or abandoned. Though this article deals specifically with the steel and metalworking industry, its suggestions have general applicability. Besides recovering scrap, such benefits as tax reduction through inventory write-offs, improved safety conditions, lowered insurance rates, and more space for storage or production may be realized.

HOW GOOD A HOUSEKEEPER ARE YOU. By W. G. Patton. *The Iron Age* (100 East 42nd Street, New York 17, N. Y.), July 12, 1951. When a plant has over 650 cubic yards of refuse a day, housekeeping becomes a vital question. At Dow Chemical Company's Midland plant, things are kept shipshape and product quality protected by a combination of plans for materials handling, salvage, color identification, air conditioning, and special maintenance setups, all of which are discussed in this article.

PRODUCTION AND INVENTORY CONTROL. By S. A. Peck. Steel (Penton Building, Cleveland 13, Ohio), July 2, 1951. This discussion of the application of planning, scheduling, dispatching, and material control shows how the accepted principles of production and inventory control can assure smooth operation of any manufacturing process. In instances where control has been previously lacking, reductions amounting to as much as 25 per cent in manufacturing costs can result from production control alone.

Marketing Management

THE KIND OF PERSON WHO CAN SELL

DONALD A. LAIRD*

THE SALES vice president of a small automobile company has two chairs near his desk. One chair is invitingly comfortable, the other stiff and uncomfortable. An applicant for sales work is asked to sit down. If he chooses the easy chair, he is not hired. This sales manager thinks the men who pick the hard chair are more likely to be hard workers. While the successful salesman has to be a worker, this "chair test" is ridiculous. It tells nothing at all about the applicant as a worker or as a salesman.

Though sales managers and employment interviewers are impressed favorably by the applicant who is neatly dressed, pleasant and courteous, and whose record shows he is a worker, all have their pet ideas about the kind of people who can sell. One reason for this multitude of theories is that there is no one "sales type." There are "57 varieties" of selling types and seldom such an animal as a "general all-around salesman."

Some salesmen have learned the hard way that it takes all kinds of sales abilities to keep all kinds of businesses going. A man who was successful selling power lawn mowers in swank New England suburbs, for instance, thought he saw a better opportunity with an in-law's farm implement business in Iowa; so he bought a partnership and took charge of sales. He was a fizzle with the hawk-eyed farmers and returned East, a wiser and financially strapped man. His Yankee accent, different clothes, and reluctance to "just visit" with the farmers before trying to sell

them made the over-all situation unfavorable for him in Iowa.

If you can get them to admit it, most sales managers will confess that some of the star salesmen they have hired away from other companies turned out to be lemons. If the other firm's sales methods and customers are similar to yours, then the other firm's star may be a star for you. But since sales ability exists in many varieties, perhaps the other firm needs a different variety than you do.

Tests for sales ability. Much research has been done with psychological tests for sales ability, and there has also been much hokum in this field. Fairly useful tests have been developed for life insurance sales aptitude. A great deal of work has also been done on tests for retail sales people. However, these results have not been as generally applicable as for life insurance. A person who flunks the tests for one store may pass those for another store. This reflects the differences in requirements from store to store and proves that there is no such thing as "general all-around sales ability." Consequently, each organization has to have experts devise and validate tests which work for its own particular sales setup.

Approximately one company in seven uses psychological tests to try to select the kind of people who can sell. Some of these tests are useful; others give a misleading feeling of confidence that a job is done. Tests should not be trusted unless they have been approved for the firm's own conditions by a test expert—and

* Dr. Laird's latest book, *Sizing Up People*, will be published by McGraw-Hill Book Company in August.

don't take the chap's word that he is an expert, but get a verdict on him from the head of the department of psychology at your state university or from some other authoritative agency.

Can many people sell? Yes—if they get into the right sort of selling.

There are people, of course, who might as well try to ride bicycles to the moon as to sell. They are the folks who dislike people, dislike selling, have poor emotional attitudes, or are too submissive. But most people can make good in some kind of sales work if they have developed their sales skills through study, training, and then practice. (Notice that practice comes last in that listing, being preceded by study and training. Too many have bungled by thinking practice alone was all that was needed.) The wide variety of sales jobs makes it possible for all types of people to make good, if they are trained and if the position is right for them. Before the sales manager is convinced that the new man cannot sell, he should shift him to some other selling job within the firm, which may suit him better. Every firm has several varieties of jobs, as we shall see shortly.

General qualifications. Practically all varieties of sales work are alike in requiring these general selling qualities: liking people; love of selling (sales drive); aggressiveness with people, but not too much; average or better emotional control.

In addition, as in all employment, the following general business qualities are considered desirable for the sales person: steadiness, i.e., staying power; industriousness, not needing to be pushed; ability to get along with fellow workers; loyalty to the firm; ambition and self-improvement; freedom from impulsiveness; strong motives to keep working.

Most of these selling and business qualities needed by the salesmaker are usually called personality characteristics

—but this does not mean the smoothie. Plain Jane can have as much "sales personality" as Dazzling Daisy.

Value of practical experience. Practical experience, without guidance by training, is the poorest way to learn how to sell or to develop sales skills. But there is no better way for a salesman to learn if he can sell or if he will like selling than to try selling. He should not jump in feet first, without study or training, if he can help it. He should go in head first, with his eyes opened by suitable reading and expert coaching.

Six psychological varieties of sales work. Dr. Richard M. Page, after extended testing of groups of sales people, has found at least six major varieties of sales work, each calling for specialized abilities and interests to bring success. These varieties are: (1) engineering salesmakers—who sell turbines, special steels, and other equipment, usually to manufacturers or contractors; (2) salesmakers of intangibles—insurance or securities sales people, or those who sell credit ratings or advertising; (3) general traveling salesmakers—representing a manufacturer or wholesaler and selling mostly to re-sellers, of which Mohammed was one; (4) route salesmakers calling on re-sellers—the men who deliver and sell meat, dairy products, and soft drinks to stores; (5) route salesmakers calling on consumers—the familiar milkman and iceman, who are sometimes sales people and sometimes just deliverymen; (6) retail salesmakers—the familiar "store clerk," who may be a salesmaker or just an order taker.

These six varieties may in turn be broken into sub-varieties. The engineering salesmaker who sells air conditioning, for instance, may be an *opener* who finds prospective customers and arouses their first interest. He may be followed, or accompanied, by another man who is a *closer*—he brings the sale to the climax and, he hopes, lands the order. These may

be followed by a third man, the *servicer*, who checks installation of the equipment and sees that the customer understands and is satisfied.

Thus a firm may need several varieties of sales people to market a single product. It is dangerous to strive for a "company type" of sales person. Albert H. Meroney, who has done much vocational testing and placement in sales fields, cites as an example:

"A storm-window manufacturer may need 'bird dogs,' or first contact men, and also closers to handle its door-to-door campaign. Telephone men for getting additional leads. Correspondence sales writers. Inside order takers if they also sell over

the counter. And sales consultants or engineers to handle jobbing, or building contractor sales.

"Each of these sales tasks is different and requires differing amounts of experience, judgment, temperamental factors, and, in some cases, differing degrees of selling drive. The closer needs to be highly dominant, whereas the inside man must have less of it in order not to antagonize the would-be buyer."

Medicine is not the only field that has many varieties of specialists, each with an incomprehensible name. The field of selling probably has more specialized practitioners than any other vocation.

YOUR BEST CUSTOMER IS BROKE

THE CLASS OF PEOPLE that heretofore carried the nation's economy will not be buying much from the American business man this year. They will be good customers of the grocer and fair customers of the clothing merchant—but once they have bought these essentials they will just about be out of the market. In fact, with taxes going up, they will probably have trouble meeting their month-by-month bills.

Why?

The answer is really quite simple. Our whole prosperity during and after World War II has operated almost exclusively for the benefit of the farmer and the laboring man. The middle-class man has been by-passed completely, and, in fact, has actually been hurt.

A recent examination of a group of middle-class budgets gathered at random indicated the following facts:

1. Many middle-class families—probably a large majority—have not come anywhere near the doubling of income that they would have needed to keep the standard of living they had in 1939.

2. A good many middle-class families, trying to keep up their old standards of living, have put their purchases on a credit basis and are carrying just about all the load they can of monthly mortgage and installment payments. If prices and taxes go up this year as much as expected, these families can meet their bills only by drastically curtailing their "normal" purchases.

3. The best-off among the middle class today are the people who were well established by 1939.

4. Among the worst-off are the young folk who had to start all over again after getting out of the Army in 1945 and 1946.

5. Hardest hit of all is the young man who steps out of college today into a middle-class income job, gets married, and tries to establish his own household.

6. Sending the children to college—once the pride of the middle-class family—is becoming a tough task for middle-class families that have not accumulated savings.

American business men, by and large, have not yet realized what is happening to our best customer. For one thing, the middle-class man has continued his tradition of paying his bills, even when it hurts.

For another thing, as the middle-class man has dropped out of the market, his place has been taken by the millions of people who have been the real beneficiaries of the boom. The farmers, thanks to both the natural high prices of wartime and to government price supports, have increased their annual cash income by a matter of billions—and have been among the nation's biggest purchasers of household equipment, machinery, and automobiles, not to mention savings bonds and other securities. The laboring man, thanks partly to the great demand for manpower and partly to his union (and the help his union got from the government in enforcing its wage demands), has had a good increase in real purchasing power. The average weekly factory wage has more than doubled since 1939, and seasonal unemployment has practically disappeared.

Another thing that has obscured the

—ERNEST HAVEMANN. *Nation's Business*, Vol. 39, No. 2, p. 34:4.

Optimism Voiced In Mid-Year Survey

SUBSTANTIAL UNFILLED ORDERS and a growing volume of defense business will enable industry to remain in high gear for the balance of the year, according to most of the 142 manufacturing companies surveyed recently by the Conference Board. Seven out of 10 say they are operating at or near capacity. Generally higher inventories are deemed necessary to support this rate of activity. Diminishing civilian output is expected as accelerating defense orders receive priority and material supplies tighten.

Nine out of 10 of the participating companies are currently devoting some portion of output to military orders. With a third of these, defense orders are still small, averaging less than 5 per cent. In half of the companies, government business ranges from 5 per cent to 30 per cent of total operations. With the remainder it represents in excess of 30 per cent of output, and as high as 90 per cent in a few instances.

Orders on hand for 90 per cent of the companies are higher than at this time last year—"substantially so in an overwhelming majority" of cases. (Companies not enjoying higher backlog are found in the electrical appliances and supplies, industrial machinery [general], apparel, chemical, rubber and textile industries.)

High-capacity operations and material shortages have made it necessary for two-fifths of the companies to cut back civilian production.

plight of the middle-class man is the fact that the number of customers has been growing by leaps and bounds. In the past 10 years we have added about 8,500,-000 American households, partly because of the normal growth of population and partly because of an increased availability of jobs, which has enabled more of our young people to marry and strike out on their own.

The question, of course, is whether the American economy can really survive without a prosperous middle class. Our national policy for a good many years has been to channel a greater proportion of our wealth to the farmer and the laboring man, while depending more and more on the middle-class man for our taxes. Presumably the same policy will be followed in the present world crisis. However, if the middle class is really our backbone, as most of us have always assumed, then we may soon reach the point where we will have a hard time standing up straight. The backbone hasn't been getting much attention lately; it is beginning to bend and creak, and one of these days—unless we start taking care of it—it may break in two.

KEEPING TODAY'S SALES INCOMES UNDER CONTROL

DURING WORLD WAR II, one wholesale house saw the incomes of its commission salesmen jump from \$3,000 a year to \$18,000. A manufacturer of industrial equipment, who also paid a straight commission, saw the salesmen jump from \$10,000 a year to \$100,000. In a most extreme case, a man jumped from \$25,000 to \$250,000.

These drastic jumps in income did no particular harm to the war time profit structures of the companies involved. They did, however, play havoc with the morale of the home office staff, and they did create post-war morale problems among the salesmen.

Perhaps such incidents can be avoided this time, but there is no widespread assurance of this outcome unless management makes a definite effort to avoid such mistakes. Recognition of the lessons in past experience offers an advantage that sales management did not have at Pearl Harbor—the opportunity to profit from the experiences of World War II.

The following list of problems arose during the last war and may arise again as mobilization accelerates. If they do, these suggested solutions may help you:

Problem: Big jumps or slumps in volume resulted in inequitable incomes, either too much, or too little, for commission men. **Solution:** Try the following formula, varied to fit the individual situation: (1) Pay the salesman a salary equal to 90 per cent of his normal income, whether com-

mission or salary. (2) Pay a commission rate equal to 10 per cent of previous commission rate (or direct sales cost).

A plan of this sort was generally acceptable to the Wage Stabilization Board during the last war because, while in some cases it gave the men increased incomes, it gave the increases in proportion to increased responsibility, at the same time reducing selling costs.

Problem: Salesmen neglect good customers. **Solution:** Make incentive portion of income dependent on meeting a call quota.

Problem: Salesmen (particularly retail) are discourteous to customers. **Solution:** Consider a merit rating system which rewards men for courtesy and other intangibles of good salesmanship. (Caution: Merit rating systems have much to recommend them. They also create headaches. If it is decided to try such a plan, give it a dry run for a few weeks before announcing it and using it as an element of an incentive plan.)

Problem: The men want to sell their entire territorial allotment of merchandise in big order, leaving nothing for other customers. **Solution:** Consider placing a limit on the amount of commission which can be paid on any one order.

Problem: Salesmen give preferred service in return for personal favors, tips, or bribes. **Solution:** Don't try to solve this with a compensation plan. Careful supervision of men and orders is the answer.

—BIRNEY MILLER AND B. K. MOFFITT. *Industrial Marketing*, June, 1951, p. 34:3.

TRADE SHOW COSTS: Exhibiting in about 80 shows a year, E. I. Du Pont de Nemours & Co., Inc., averaged their costs, arrived at the following budget: space (14 per cent); design (8 per cent); exhibit construction (50 per cent); installation and dismantling (3 per cent); shipping (5 per cent); exposition services (12 per cent); supervision (3 per cent); miscellaneous (5 per cent).

—*Foster Footnotes*

SUPERVISION OF OUTSIDE SALESMEN

PLANNING for supervision is necessary in order that objectives, standards, and policies can be formulated for the job of supervising salesmen. To investigate supervisory methods from the standpoint of both management and the salesman as well as to develop recommendations which can be used for the improvement of supervisory practices, a cross-section of the 16,000 members of National Sales Executives was recently surveyed. The following are the preliminary conclusions from this study:

Five Major Weaknesses in Salesmen. The five major weaknesses or shortcomings to be overcome through improved supervision are believed by sales executives to be as follows: (1) failure to utilize time worked properly; (2) failure to plan sales effort; (3) failure to put in enough selling time; (4) lack of proper selling methods; (5) lack of product knowledge.

Help Given to Salesmen Each Month. According to 45.2 per cent of the sales executives who reported, the amount of monthly help given to salesmen from a home office or from an area office was six hours or less. However, salesmen directed from an area office received slightly more help than those directed from a home office.

Number of Salesmen Reporting to One Supervisor. 72 per cent of the sales executives found it effective to have not over 15 salesmen reporting to one supervisor. It can be concluded from this that the number of salesmen assigned to one individual should be small enough so that each man can receive personal attention.

Use of Sales and Management Consultants. 13.9 per cent of the companies reporting have hired a sales or management consultant to assist them with their supervisory programs. Of these, 38.1 per cent said it was extremely helpful, 18.2 per cent fairly helpful—a total of 56.3 per cent who felt that utilizing the serv-

ices of management consultants in setting up supervisory programs was of value in their operations.

Methods of Supervision. The survey indicated that a larger percentage of the companies use personal conferences and personal field contact in supervising their salesmen than any of the other methods tabulated. These figures confirm the idea that personal guidance produces a higher volume of sales than any less direct method.

Tools Used in Supervising Salesmen. Salesmen's reports were most widely used, with 81 per cent of the reporting companies employing this tool. It is significant, however, that such a basic aid as a job analysis of the functions performed by salesmen is used by only 27 per cent of the companies and that other such useful tools as time control analysis, attitude surveys, termination interviews, and periodic physical examinations are used in less than 11 per cent of the companies.

Record Control Systems. 43.3 per cent of the companies surveyed used some type of record control system. Apparently a large number of companies find record control of value in analyzing their sales and salesmen's performance.

Standards Used by Sales Executives in Evaluating the Performance of Their Salesmen. The standard in evaluating the performance of salesmen most frequently indicated was the number of demonstrations made by a salesman, with 85.5 per cent of the companies surveyed using this criterion. A comparison of sales volume against sales quota is used as a standard by 53.0 per cent of the companies. Sales volume against selling expenses is used as a measure by 56.3 per cent of all the companies.

Morale Factors. The factors sales executives consider to be most important in raising or lowering the moral of their sales-

men are listed in order of importance as follows: (1) recognition and praise; (2) better-than-industry pay; (3) type of supervision or leadership; (4) opportunity

for advancement; (5) company policies relating to salesmen; (6) continued training; (7) degree of satisfaction with selling as a job; (8) steady work.

—From a summary of a survey detailed in *Supervising Outside Salesmen* by Charles Lapp. Published by the Bureau of Business Research, The Ohio State University, Columbus, Ohio. \$4.00.

No Summer Lull in Planning of Advertising

A SURVEY made recently among agency media directors, to measure the planning and purchasing activities of agencies and their clients shows that the summer months of July, August, and September are extremely important for these activities.

Fifteen or 20 years ago, campaigns were planned and purchases of space and time made on a 12-month basis, with high peaks registered in December and January; since then it has become general practice to review old plans and make new ones on a quarterly basis.

In campaigns involving localized media (newspapers, spot radio, TV, outdoor, etc.), the planning and purchasing is very evenly divided throughout the year, with only nine percentage points representing the spread between the low and high quarter in both planning and purchasing.

However, in campaigns involving national media (consumer magazines, farm papers, business magazines, network radio, and TV), the third quarter is the second most important for planning—choosing the fields to be developed and the media to be used—with 23 per cent of these activities taking place during July, August, and September as compared with 39 per cent during October, November, and December.

—*Sales Management* 6/15/51

Close-Outs Rising

IT IS COMMON PRACTICE for a manufacturer to close-out a slow moving product, but in recent months the disposal of discontinued lines has increased sharply. So reports Chicago's A. N. Brooks Company, a buyer of close-out lots of housewares, novelties, and toys. There are two big reasons for the increase, the company adds. First, raw material shortages and government restrictions have forced manufacturers to drop normally successful lines. Also, the trend to defense work has added to the close-out market.

—*Commerce* 7/51

Choosing an Advertising Agency

ONE METHOD that has been found effective in selecting an advertising agency may be summarized briefly as follows:

Begin by reading several advertisements, especially those of products that have been recently launched and that are believed to be doing well, choosing those you consider the most effective. In your selection, pay special attention to those products whose channels of distribution are similar to your own. Then, having listed eight or nine advertisers, find out by writing to them the names of the agencies concerned.

Assume that you have your "short list," which has been checked by experts in the field, and are proceeding to interview the agents listed. Assuming also

that these agents prove willing to accept your account, what questions should you ask and what information should you seek?

Here is a suggestion. When you meet the agency directors, are shown round the "works," and are introduced to the staff, record your impressions by means of a card on which these marks are allocated under these heads:

	<i>Maximum</i>
Reception: first impressions, directors	20
Age of agency and average size of accounts	5
Organizational ability	10
Copy staff	35
Art directors and chief designers	35
General impression of creative staff	10
Market research and information	15
Merchandising experience	20
Export advertising	20
Space buying	5
Enthusiasm over your account	25

It is essential to be as methodical as this, or one unconsciously behaves like a common jury, paying far too much attention to the man who has the last word. Only until total marks are compared should personal preference come into play to influence the final decision.

—*Advertiser's Weekly* (London, England) 7/8/51

Also Recommended • • •

CYCICAL POLICY ON THE ADVERTISING APPROPRIATION. By Joel Dean. *The Journal of Marketing*, January, 1951. Most firms face the practical problem of adjusting advertising outlays to fluctuations in business conditions. Though the measurement work that has been done in advertising is still in an experimental stage, this article analyzes a number of strategic demand factors that can be used as "guessing guides" for management.

SALES CUES FOR PRODUCTS "LOST IN MANUFACTURE." *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), June 15, 1951. This article describes how the Diamond Alkali Company, by using a wide variety of informative lay and technical literature, maintains sales contact with old customers and makes itself well known to newcomers. It is pointed out that emphasis is being placed on product serviceability rather than on product features in order to help users maximize productivity and minimize costs.

HOW TO MAKE A BETTER CATALOG COST LESS. By Alfred Roffman. *Printers' Ink* (205 East 42nd Street, New York 17, N. Y.), July 20, 1951. This description of how Standard Motor Products has managed to turn out a better catalog on a low-cost budget contains many helpful hints on successful techniques. In the examples cited, the basic rule followed was that of reorganizing and condensing the text and re-using every possible piece of art work.

INDUSTRIAL MARKETING'S ANNUAL MARKET DATA AND DIRECTORY NUMBER. *Industrial Marketing* (200 East Illinois Street, Chicago, Ill.), June 25, 1951. This fact-packed issue of *Industrial Marketing*, devoted wholly to reference data for the industrial sales executive, gives basic information on 85 industrial and trade markets and on the business papers serving those markets. Lists of national trade associations and digests of market analyses by publications in each industry are also included. A handy reference tool is the complete alphabetical list of all yearbooks, catalog files, and other business publications.

CASE HISTORIES IN THE STUDY OF HUMAN MOTIVATION AND THEIR RELATION TO ADVERTISING THEMES. By Ernest Dichter. *Advertising Age* (200 E. Illinois Street, Chicago 11, Ill.), June 11, 1951. The author outlines the principal conflicts in human motivation and the manner in which sales arguments were developed to meet them. Questions of human motivation are not always subject to statistical computation, but answers to these problems can often be determined by psychological study. Keeping one step ahead of your competitor and in step with the constant reorientation of the buyer's mind will involve new kinds of research to check sales effectiveness of printed advertising, motivation checks of buying trends, and a study of scientific publications outside the advertising field.

Financial Management

THE CONTROLLER'S ROLE IN THE MOBILIZATION ECONOMY

THE CONTROLLER TODAY plays a highly important part in helping to get production rolling. In making financial and accounting decisions, he comes into contact with more phases of the business than any other officer. Let's look at some of his responsibilities and relate them to the special problems of mobilization that will haunt him for an indefinite period in the future:

Organizational Setup. Systematic and regularly scheduled conferences to discuss long-range policies, plans, and procedures may be the first step in determining what changes in organization should be planned or put into effect. A review of your World War II plant organization chart will help in such planning. If you have relationships with the government, you must plan for legal assistance in setting up contract or subcontract negotiations and in carrying on your relationships with government agencies.

Planning and Doing. In connection with capital expenditures that will be made as plans are revised, it is important to remember that a manufacturer comes out of the wartime economy with only a little more cash, but, if he is careful, with better tools also.

Furthermore, it must not be forgotten that tools, jigs, and dies made for manufacturing a defense product are generally much more expensive than similar tools used in the manufacture of a commercial product, for tolerances allowed by the government are much closer than the tolerances acceptable to the public. Estimates of profit may be greatly distorted if this factor is not properly weighed.

Most companies will not be completely or even substantially converted to work on

government contracts. For such companies, it is still necessary to forecast future operations in terms of probable demands by their customers. For firms in a sellers' market, with demand running ahead of a supply restricted by defense priorities, forecasting continues to play a useful role. However, future operations must be forecast in terms of limits and bottlenecks on supply rather than by the volume and intensity of demand.

Protection of Plant and Equipment. Two emergency duties with regard to plant and equipment are created by the danger of war. One is plant security and the other damage control. The controller as a part of top management must see that steps are taken to determine any subversive affiliations or tendencies of employees and to expand the maintenance crew in order to repair as quickly as possible any damage caused during an emergency.

Budgeting. Budgeting must go on during the emergency. With material allocations an uncertainty, and with the question of whether you will be able to get materials always open, you may have to make many adjustments. For example, you may have to move from a fixed budget setup to a variable budget setup. With a flexible budget, which is predicated upon the variability of costs and hence expenditures at different levels of operations, you can set your expenses at different levels of capacity and control them on that basis.

Production Control. Though the planning and purchasing departments are, of course, responsible for the flow of new materials and finished products, the controller is strongly urged to examine the methods used by both these departments

in arriving at their flow figures. It has been the experience of controllers that where shipments are held up because of material shortage, this is generally attributable to some small component worth only a fraction of the material cost.

Also, until his inspection force becomes accustomed to the new, more stringent requirements, the manufacturer may expect increased rejects, and the controller must anticipate this cost in his estimates.

Standard Practice Instructions. You must have some formal way of giving your people instructions, and since these instructions, so far as work on government orders is concerned, emanate from Washington, a close check must be kept on orders and regulations coming from the various emergency agencies. One way of checking up is to watch the published reports of developments in Washington and then translate them into your standard practice instructions.

Within the area of his own responsibility, such as accounting, taxes, and costs, the controller may have to establish entirely new procedures or make substantial changes in existing procedures.

Procedures may also have to be established to enable the company to obtain certificates of necessity from the Federal Government and to take advantage of

provisions in the federal regulations permitting a company to accelerate amortization of defense facilities.

Pension and Profit-Sharing Plans. The current world emergency has given rise to several unusual conditions that require careful consideration. They are the military employee, the tight labor market, and the wage and salary freeze.

Wage and salary stabilization restrictions point up the value of pension and profit-sharing plans. While the current situation presents practical obstacles, a new development is expected soon. Eric Johnston, the Stabilization Administrator, has asked the Wage Stabilization Board to exempt pension and other welfare plans from the wage freeze. It is, therefore, highly likely that we will soon be allowed, within reasonable limits, to install new plans and improve old ones.

Renegotiation. From past experience with military production, the controller knows that he must anticipate renegotiation responsibilities. One difficulty that subcontractors and suppliers have encountered in recent months has been that of positively identifying the orders which call for renegotiation and those which do not. As time goes on, it may be assumed that the accuracy of certifications will improve with experience.

—VINCENT C. ROSS. *The Controller*, July, 1951, p. 299:4.

Watch Salary Schedules

WATCH THE SALARY SCHEDULES of your top executives. The Bureau of Internal Revenue may challenge them if there have been marked increases in the past year. If you have boosted the stipends for your officials, here's the evidence you should have to support the gains, according to Harry H. Rose, a certified public accountant and tax man:

Show that the amount paid is no more than is paid for like services by like enterprises.

Show unique or specialized ability of the employee.

Show difficulty of replacement of the employee.

Show the growth of your business that requires greater administrative skill.

—*Steel* 7/2/51

AFTER WORLD WAR II, says a Twentieth Century Fund report, there were about 20 per cent more active business units than before the war.

ANALYZING NON-MANUFACTURING COSTS FOR MANAGEMENT GUIDANCE

SEVENTY COMPANIES were interviewed recently by the Research Staff of the National Association of Cost Accountants to learn what practices they followed in the analysis of non-manufacturing costs and the reasons for these practices. Because the companies were selected with care and represented both large and small firms, the findings represent a cross-section of practice within industrial companies. Here are some of the major conclusions drawn from the survey: *

1. Cost accounting has been developed most extensively for producing cost figures needed in pricing inventories, preparation of periodic financial statements, and aiding in the control of manufacturing costs. Methods of ascertaining manufacturing costs and controlling them have been well developed by most companies. However, comparatively few companies possess equally good information about their non-manufacturing costs.

2. The most widely used method for distributing marketing costs to products, territories, or other units is to average them over the units as a percentage of sales. This practice is followed also in distributing administration and general accounting costs. This kind of costing more often than not obscures the very differences which management needs to know.

3. Very little has been done by company accountants to develop and introduce new presentations of overhead cost breakdown which adequately handle the multiple product operations of their expanding companies.

4. In a number of companies, the sales department has taken the initiative in asking for the information it needs on product and territory costs.

5. Most business men realize that some products, territories, customers, etc., are more profitable than others. They also know that an undue proportion of small orders, excessive product variety, and too many special services may have an adverse effect on profits. They are, in general, familiar with the factor of

fixed costs in operation and recognize that in pricing there can be both advantages and dangers in accepting orders which increase volume and contribute something to covering fixed overhead. Though this general knowledge serves as a rough guide to decisions, they need better tools for measuring the factors involved.

6. Through long usage, management is familiar with and accustomed to the use of over-all company net profit figures as presented on profit and loss statements. Consequently, it naturally follows the same thinking in dealing with product lines or segments of the business, and applies the same profit standards in terms of net profits after allocation of all overhead expenses. However, there is a growing realization by management, especially in companies with multiple product lines and operating divisions, that this kind of profit analysis may not be giving correct net profit figures by product lines.

7. Management needs more accurate information on: (a) How profitable is each of the products, sales territories, customers, and other units which comprise the present sales pattern? (b) What effect will proposed changes in marketing methods have on costs and profits?

The survey report in which these findings were presented has aroused considerable discussion, principally involving its advocacy of the contribution margin principle in cost analysis and its presentation of profit pictures to management. Contribution margin is the dollar amount of gross sales income remaining after payment of all direct or variable sales deductions, manufacturing, selling, and administrative costs. It is the percentage of sales income available for payment of all fixed operating costs and for operating profit.

Contribution margin views individual products as related units of the business rather than as separate businesses. Under full allocation, where all costs, both variable and fixed, are allocated to products, we are, in effect, setting up each product as a separate business, which is not a fact in actual company operations. By viewing

* Detailed findings are presented in "Assignment of Non-Manufacturing Costs for Managerial Decisions," Research Series No. 19, N.A.C.A. BULLETIN, May, 1951.

each product as a related unit of the whole business, as is done when using contribution margin, we show the business as it actually exists.

It seems to me that it is time we stopped debating the subject of full allocation vs. contribution margin. Management has, in effect, made the decision. By itself, the old tool of full allocation is inadequate

for multi-product companies. The tool to replace it is a combination of contribution margin with full allocation. The two are not antagonistic but compatible and, when joined, each being used where it best serves, will adequately fill management's needs. The use to be made of cost data will determine which approach is most applicable in a particular case.

—From an address by CHARLES H. GLEASON before the 32nd Annual International Cost Conference of the National Association of Cost Accountants.

DEFENSE CONTRACT PITFALLS: A SURVEY

THE BEST TIME to eliminate renegotiation headaches is before a defense contract is signed, according to 100 manufacturing executives recently surveyed by the Conference Board.

Despite a dislike of some contract clauses and annoyance with governmental auditing procedures, these executives report little hesitancy in accepting government contracts. Pricing and contract clauses have neither prevented nor delayed acceptance of defense contracts by seven out of 10 of the companies seeking them, though pricing methods and allowable costs were the reasons most frequently given by the twenty-odd companies who did note difficulties in their defense contract negotiations. Many companies also reported they have recently been unable to give firm bids or to sign contracts unless an escalator clause were included to cover increased labor and materials costs. The "one-way" price redetermination clause was felt to be unfair by several because it "allows only downward revisions and makes no provisions for increased costs in a contract which may run for months or years." However, most respondents having recent contracting experience feel "contracting officials are sympathetic in considering

any well-founded objection we brought to their attention."

The manufacturers felt by a three-to-one majority that the Renegotiation Act of 1951 presented no added difficulties. About a fourth of the executives would offer no opinion because, in the words of one, "difficulties will arise from the law's administration, not from the law itself." Those executives finding added difficulties in the new law were most concerned over the problem of accurately determining what constituted a renegotiable sale. Because of the lack of priority ratings, as during World War II, it will be hard, they say, to determine whether a sale not made directly to a government agency listed in the new act is subject to renegotiation. The problem of allowable costs was also ranked high by executives as being likely to cause difficulties under the new act.

Executives offered a number of recommendations which they thought would improve dealings under the new Renegotiation Act and would lead to better industry-government relations generally. The recommendation most often made was for "better" government purchasing. A number of executives asked for more standard contract procedures and for

simplification of the "pages and pages" of contract forms. A strong recommendation was that standard commercial items be exempted from renegotiation because their cost was well known and the price had been determined by competition. Most executives believed "government procurement could be more prompt and less expensive if procurement personnel were given wider discretion and were not bound by detailed, rigid regulations" and if contracting officers could be chosen so

that they had some "experience and knowledge of the products and industry they are working with." Also favored was some form of precontract agreement on allowable costs. Other executives agreed with this, feeling it offered the best way to minimize problems during renegotiation proceedings. They still felt they should be able to figure their costs in their regular manner but, failing that, suggested including all questionable items of cost in the definitive contract.

Sales of Trust Shares at Peak

YEARS AGO, the Securities & Exchange Commission dubbed the trend toward investment trusts "probably the most important single development in the financial history of the U.S. during the past 50 years." Nothing has happened since to change that view. In less than a decade, the investment trust trade's resources have shot from \$925 million to well over \$3.5 billion.

The lion's share of that increase has been scored by the so-called open-end investment funds—the group that constantly offers new shares to investors. Since 1941, open-end fund assets have gone up more than six times, from around \$400 million to more than \$2.7 billion. Nine years ago there were less than 300,000 shareholders; today the figure is estimated at approximately 1 million.

Investment trust men say they owe their gains to two basic safety factors: (a) Their shares give investors—especially the little fellow—a far greater diversification of holdings than they could achieve on their own hook. (b) They give investors the benefit of the experience and judgment of men who have made the science of money management their life work. What's more, the investment fund trade says, their system has proved its soundness in many bad market tumbles of recent years.

Operating results of individual trusts have varied as much as those of individual stocks since Korea. Some trusts show capital gains of 17 per cent or 19 per cent (after allowing for the loading charge). Others have lost 4.5 per cent to 6 per cent. And yields have varied from 2.4 per cent to 6.33 per cent.

—Business Week 6/30/51

Look Before You Leap

SO YOU WANT to buy or build a new plant? Look before you leap, advises the Society of Industrial Relations. Water, freight rates, and state taxes are among the major factors that should influence plant location, says the society. In locating a factory, be sure that there's not the danger of too much water, as well as too little. Study rail, road, and water freight rates for local quirks that might endanger your competitive position. Give minute attention to the state's industrial taxing policies, not only to existing rates but to future taxing trends, also.

—Steel 7/23/51

WHAT HAPPENS when a company splits its stock? Does the price go up or down? After a study of 14 stock splits and subsequent market performance, the New York Stock Exchange finds that in only two cases have share prices not advanced. The biggest rise was scored by the shares of a drug firm, which gained 200 per cent within two years.

—Commerce 7/51

VARIANCE ANALYSIS FOR COST REDUCTION AND CONTROL

THE variance analysis program in our company is a planned, intensive effort to reduce cost through the elimination of unfavorable variances from standard. While the application of the program has been to a standard cost system in a steel manufacturing concern, the basic plan can be applied to any type of business, large or small.

The fundamental thought which launched the new program at our company was based on the philosophy that standards in effect were attainable, since all standards in use had been either engineered or based on historical data, thus proving that standards had previously been met.

Before proceeding with the functions of the new program, it would be well to state the reasoning which preceded the plans and actual organization for the new approach to variance analyses. Shortly after the installation of the standard cost system, cost controls had been established at each works to provide management with current information regarding variances by causes. These controls were designed so that the lowest level of supervisors were given the factors contributing to cost variances currently. These factors, together with analyses, were progressively summarized for each of the higher levels of management. A cost analyst was provided at each works to screen the most important variance causes and to provide management with special analyses for use in taking corrective action. This seemed to be the ultimate in variance control from an accounting standpoint. However, breaking down the variances separately between favorable and unfavorable disclosed many recurring unfavorable amounts on a daily and monthly basis in which little, if any, improvement had been made. The necessity

for complete analyses and specific recommendations to correct an unfavorable condition was apparent.

This analysis disclosed the following principal factors which could be improved:

1. Unfavorable variances were not given sufficient prominence when offset by favorable amounts within a classification of cause, or within a department or works summary.
2. Analyses of recurring variances in many cases were not based on a sufficiently long period of time.
3. Analyses for upper levels of management were necessarily general in scope and, for this reason, did not provide this level with sufficient detailed knowledge to influence corrective action by the lower supervisory group.
4. The amount of detailed information provided on the daily cost controls on some items was found to be insufficient.

With these findings in mind, a decision was made to improve the analytical service by establishing a new program to provide for a detailed, long-term analysis of operating performance variances and to present the findings clearly, concisely, and with conviction.

The organization problem was worked out by establishing a central analytical group at each of the larger manufacturing works. This organization includes a works analytical supervisor to direct all analytical functions, with a section under his supervision to carry out the variance analysis program. The variance analysis sections generally include a variance control analyst, a variance analyst, and one or more product cost analysts.

Generally, the first step in a department selected for analysis is to compile loss and gain variances separately by re-

sponsibility, by works cost and expense code, and by variance causes for a period of approximately a year. This is done not only to establish a pattern of fluctuation but also to provide the key as to which items will receive priority for intensive study. After the selection of an item, all elements of cost are broken down into the finest detail and studied with respect to the validity of standards, application of standards, past cost incurrence, and the basis for present actual incurrence.

In many cases, variances are traced back for a period of years to determine if standards have ever been attained. This is particularly true of those items for which standards have been established on historical experience. In the case of engineered standards which have never been met, there is usually a period when the variance was very low. When these pe-

riods of maximum performance have been established, the trend is traced to the present-day results to establish reasons for unfavorable deviations, which may be due to an accumulation of causes. All of these comparisons with former results require careful consideration of changed conditions, revised standards during the periods surveyed, and the effect of price and wage rate changes on the magnitude of variances in different periods. These conditions must be reconciled to the current performance to assure a bona fide comparison of present and past differences. It is interesting to know that all the information used in the breakdown of conditions and causes has been found to have been previously recorded and has been available for analysis from various production or operating reports. As yet, no new recordings of basic data have been necessary.

—From an address by JOHN PUGSLEY before the 32nd Annual International Cost Conference of the National Association of Cost Accountants.

Tax Bonanza

WHEN is a plant a defense plant? Federal planners admit befuddlement.

Last year they got permission from Congress to give extra-large tax deductions to business men putting up new plants "necessary in the interest of national defense." And so far, they've ladled out deductions in cases involving \$7,300 million worth of new facilities.

But while they've given benefits for plants and equipment making tank parts, jet planes, and other war weapons, they've also bestowed aid on concerns which produce a long list of things that don't seem particularly warlike—cardboard, lumber, nylon, woolen cloth, to name a few.

How do these "marginal" projects get into the defense act?

One big reason seems to be the theory on the part of the government's top policy-makers that almost any time the armed forces bite into civilian supplies, production of those items should be expanded. Then there's the problem of administering the program. Consider, for example, the lack of coordination among all the bureaus having a finger in the tax deduction pie. Finally, the tax benefits program is characterized by its extreme "generosity." When they were asking for the program, the planners told Congress it would increase production needed by the armed forces, but that the new plants might become idle when the defense program ends. So, they argued, the tax benefits, by letting a company get its investment back quickly, were needed to reduce this risk.

—*Wall Street Journal* 7/5/51

ACCORDING TO a study made by Notre Dame University, 73 per cent of all income on property—all income from stocks, bonds, and rent payments to individuals—goes to people making under \$100 a week.

Capitalism's Pulse

FOR AN ESTIMATE of the number of shareholders in American industry, Amos 'n Andy—"seben millyun, eight millyun, ten millyun"—is as good a source as any. Educated opinion as to the total ranges from 6,000,000 to 15,000,000.

The big difficulty, of course, is duplication of ownership. One person may hold shares of several companies or hold two or more classes of stock in the same company. As a result, he may be counted several times in a nationwide tally.

On the other hand, shares of many stockholders are often registered under one name by a bank, broker, or other nominee. This may lead to an underestimation of the equityholder total.

Whatever the actual total may be, there is no doubt that it is gradually increasing and that the rate of increase is accelerating. For 355 companies recently surveyed, the net percentage increase in number of stockholders was 2.2 per cent for the year ending December, 1950. In 1949, the net percentage increase for these companies was 1.1 per cent, while in 1948, it was only .7 per cent.

—*Forbes* 7/1/51

A 21-YEAR STUDY of government records of all corporations indicates that about 70 per cent of the income of corporations is spent on replacement and material, supplies, rental, heat, and the like.

—EDWIN VENNARD in *Edison Electric Bulletin* 6/51

Also Recommended • • •

HOW THE PLANT ENGINEER CAN SAVE TAX MONEY. By J. K. Lasser. *Factory Management and Maintenance* (330 W. 42 Street, New York 18, N. Y.), March, 1951. This article attempts to show how different tax results can flow from the same production operation or transaction, depending on how it is handled. A comprehensive and specific list of tax-saving rules is included.

COSTS AND WAR CONTRACTS. By Pilson W. Kelly. *Dun's Review* (99 Church Street, New York), July, 1951. If you expect to negotiate for war contracts, you will have to determine your current production costs with speed and accuracy. War contract accounting differs from ordinary factory cost accounting in its mobility. The two keys to war contract accounting which the author of this article discusses are *maneuverable system construction* and *enlightened estimating*.

WHAT ARE OUR TAX AND DEBT BURDENS? By V. Judson Wyckoff. *Dun's Review* (99 Church Street, New York), July, 1951. "Nothing is certain but debt and taxes" might well be the 1951 version of the old adage. Professor Wyckoff in this article answers such questions as: what percentage of the national income is collected in taxes; what part price inflation has played in the rise of local, state, and federal taxes; what legacy of debt will accrue to our descendants. Taxes in 1941 were 15.4 per cent of national income, but

by mid-1950 they totaled almost one-fourth of national income as a result of the great rise in expenditures and taxes on the federal level.

TAXATION AND BUSINESS INCENTIVE: COMPETITION FROM TAX-EXEMPT BUSINESS. By Harry G. Guthmann. *The Journal of Finance* (5750 Ellis Avenue, Chicago 37, Ill.), June, 1951. This discussion concerns the advantages afforded by tax exemption to cooperative and government-owned utilities over competing business units. The author points out that because the weight of taxation has become so heavy, failure to exercise the greatest care not to handicap some business organizations at the expense of others may prevent the survival of units which serve the community with the greatest economy of resources.

THE CONTROLLER'S RESPONSIBILITY — NOW. By Alfred C. Boni. *The Controller* (1 East 42 Street, New York 17, N. Y.), July, 1951. The increase of 125 per cent in the wholesale price index since 1939, with the attendant distortion in the price structure, has serious consequences for controllers, which are discussed in this article. The author suggests that the controller needs an economic analysis of his company's financial and operating records to establish realistic standards for a periodic review of the achievements of the company's management and the efficiency of its operations.

Insurance Management

INFLATION AND INSURANCE: AN UNDERWRITER SPEAKS

TO DAY we are faced with a problem that threatens the foundations of every business. That problem is inflation.

The insurance business, because it is a dollar business, may be even more affected by the ravages of inflation than other industries. There is no way that its assets or income, by and large, can keep abreast of inflationary trends; nor can payments to beneficiaries be adjusted to compensate for current dollar values. A lowered value dollar attacks the very heart of the insurance business.

The magnitude of the life insurance industry makes this situation a matter of national importance. Last year $4\frac{1}{4}$ billions in life insurance benefits were paid to policyholders and beneficiaries, the largest amount in history. The value of those dollars, in terms of goods and services, however, must have been a disappointment to those people.

The December, 1950, consumer price index of 178.8 applied to life insurance dollars will show why. The 228 billion dollar life insurance coverage at the end of 1950, translated into terms of 1949 dollars, becomes actually only 213.6 billions—a reduction of 14.4 billions. In terms of 1940 dollars, the amount of the drop becomes 100 billions, reducing the 228 billion dollar protection to 128 billions. These reduced figures, though they include the vast amount of new insurance written, represent an average coverage today of only \$1,542 for each of the 83 million U. S. policyholders. Ten years ago, with 65 million policyholders, the average coverage was \$1,777.

What has happened to the life insurance companies?

At the end of 1940, when there were

about 65 million policyholders, life insurance assets averaged \$474 per policyholder. At the end of 1950, with about 83 million policyholders, company assets, measured in 1940 year-end dollars, were equivalent to only \$434 per policyholder—\$40 less for every policyholder covered.

There are three things that can be done or not done about this situation.

The first is to do nothing and hope that inflation will disappear as it came. This is an extremely dangerous course, but one that was followed early in World War II and again for many months in the present crisis.

The second option is to create palliatives—government controls on prices and wages and, in some cases, production. Everything considered, this is probably an improvement over the first. But we must never deceive ourselves into thinking that these measures do anything but bring under temporary control some of the end-results of inflation.

The third option is to make a serious attempt to get at the economic roots, or some of the roots, of the inflationary trends.

On this score many groups have been active. The life insurance industry has pressed strongly (1) for a federal tax program that cuts directly into mass purchasing power and, so far as feasible, puts the government on a pay-as-you-go basis; (2) for cutting to the bone all non-military expenditures and bending every effort to insure that military expenditures are made efficiently and with a minimum of waste; (3) for tightened monetary and credit controls; (4) for management of the public debt in such a way as to reduce the money supply of the general public—get-

ting a substantial part of the debt out of the banking system into the hands of savers—making new issues attractive enough to be placed outside the banking system; (5) for a vigorous policy of discouraging further rounds in the wage-price spiral, calling for the cooperation of both labor and management.

But, basically, none of these steps to control inflation will succeed unless the fundamental attitude of the people is right. We are suffering from a malignant social disease of which inflation is one of the end-results.

The first phase of this disease is the growing tendency to turn from self-reliance to dependency upon government. The long succession of unbalanced budgets, apart from war, and the proposals for increased spending in the social field testify to the virulence of the idea.

—From an address by CARROL M. SHANKS (President, Prudential Insurance Company of America, Newark, N. J.) before the Economic Club of Detroit.

The second phase of the disease is the likewise growing tendency to turn to group action and through group pressure to extract from government and the economy more than would otherwise be allocated or, in most cases, justified. Few groups seem willing to apply themselves to increasing productivity and to taking only their share of the increase. One of the grim results is inflation.

In closing, I must say that I have no pat solution for this problem. I do know that leadership is called for. Not a Moses nor a man on horseback nor his modern version, a demagogue on television. It is human to look for one man to lead us out of the wilderness. But if each man were to take on a small part of the job, we could do without him.

Rules for Integration of O.A.S.I. Benefits

THE RECENTLY ISSUED RULES governing integration of private pension plans with the benefits provided by the Social Security Act Amendments of 1950 are of particular importance to plans established unilaterally for salaried employees. Plans for wage earners established through collective bargaining normally conform to the rules for integration as they usually provide either a fixed benefit or one which bears a uniform ratio to annual earnings when added to Social Security benefits.

The new rules stipulate that Social Security benefits may be offset against retirement benefits from a private pension plan. They continue to prohibit discrimination in favor of higher-paid employees.

A program which provides retirement benefits only for employees earning more than \$3600 annually (the new taxable base for OASI) will ordinarily be considered integrated if:

1. the normal retirement benefit is not in excess of 37½ per cent of compensation over \$3600;
2. normal retirement takes place at not less than 65 for men and 60 for women after a minimum of 15 years of service;
3. the plan is non-contributory and provides no death benefit before retirement; and
4. the retirement benefit is a straight life annuity, which cannot be changed so as to increase its value to the employee by means of an optional settlement.

If any of the above conditions are not met, a specified percentage of reduction in the pension benefit must be made.

—*For Your Information* (Edwin Shields Hewitt and Associates) 6/51

THE CASE FOR THE COMPREHENSIVE LIABILITY POLICY

THE WHIRL of a roulette wheel is no more a gamble than the practice of buying liability insurance on only "obvious" exposures and ignoring coverage on the less frequent hazards. A business man who bets the possible but improbable hazard won't befall him forgets that when a rare incident does occur, the judgment can be just as whoppingly disastrous as a judgment awarded for bodily injury or property damage caused by a common accident.

Buying insurance piecemeal—a policy for this hazard and a policy for that—encourages the insured to gamble on spotty, incomplete protection. Protection through a comprehensive general liability policy provides coverage for virtually all the liability exposures in an insured's business.

While a comprehensive general liability policy encompasses the benefits of most of the specific hazard contracts (OL&T, M&C, protective, Elevator, etc.), it actually buys more insurance than all the individual policies combined. The single policies cover only the hazards specifically defined, while the comprehensive general liability contract insures all hazards not specifically excluded. Coverage is therefore much broader than a combination of all the specific hazard forms.

The insured who invests in a comprehensive liability policy gets more for his

money in other ways, too. New operations, newly acquired buildings or premises, changes of location, and expansions that occur during the policy period are automatically covered. There is no penalty for failure to report changes.

When written to include automobile exposures, even the borderline between "loading and unloading" and other business activities is eliminated. Without separately defining the various types of auto liability insurance, such an insuring agreement is amply broad to include owned, hired cars, drive-other-car and employers' non-ownership exposures.

The few exclusions are incorporated for two reasons. Certain exposures, such as workmen's compensation and aircraft, are more properly insured under other contracts. Other hazards (water craft, property in the insured's care, custody or control, and water damage) are excluded because they must be individually underwritten at varying additional premium charges.

A flexible contract, the comprehensive general liability policy can be broadened or modified, actually fitted to solve each individual's particular liability problems. Product liability and property damage coverages are optional, but their inclusion is recommended in most cases.

—Fireman's Fund (in *The Casualty Insuror*, July, 1951, p. 20).

TRENDS IN A. & H. COVERAGE: AN UNDERWRITER'S VIEW

PROTECTION AGAINST the financial hazards of accidents and sickness is recognized by the American public as a fundamental and integral part of any insurance program. The degree to which this is so is readily indicated by the fact that the present premium volume of accident and

health insurance alone, estimated in excess of \$1,200,000,000, is 500 per cent greater than the premium volume for that form of insurance a decade ago.

An even more significant indication of this recognition by the American public is the number of persons protected against

the financial losses of accident and sickness. In 1900, according to Faulkner in his textbook, *Accident and Health Insurance*, 47 companies in the accident insurance field had 463,000 policies in force. Today, according to the most recent survey conducted by the Health Insurance Council, 34 million persons in the United States have some form of voluntary protection against loss of income resulting from accident and sickness, 66 million have protection against hospital expenses, 41 million have protection against surgical expenses, and 17 million have protection against medical expenses. These figures do not include total and permanent disability benefits under life insurance policies, workmen's compensation coverage, some 4½ million full coverage commercial accident insurance policies, 7 million persons with group accidental death and dismemberment coverage, and some 6 million travel accident policies. These figures also do not include special types of coverages on automobilists, volunteer firemen, civilian defense workers, students, campers, or athletes; nor do they include medical payments coverage written in conjunction with several types of liability policies.

Furthermore, there have been many improvements in coverages, benefits, and methods resulting from studies based upon sound insurance principles and experience. Accident and health insurance is not a static field. In the past few years alone, many companies have eliminated the "accidental means" type of insuring clause, clarified the intent of the lifetime indemnity total disability clause, increased the amount of blanket medical expense coverage, almost entirely deleted the for-

mer aviation exclusion, improved the elective indemnity benefit, extended the schedule of surgical benefits, and liberalized the optional lifetime indemnity provision. All these efforts have been in the public interest and have benefited policyholders without increase in premium rates. Recent studies have also made it possible for many companies to improve and modernize their occupational classifications manual and to broaden their underwriting practices in a manner commensurate with sound basic principles.

Last, there is the vital importance of performance, the example by deed, which the public encounters. This concerns principally the company, the type of policy sold, the treatment of claims after loss occurs, and alertness to the elimination of minor irritants. No form of insurance is simple to the public understanding. Certainly accident and health insurance is no exception with the multitude of policies and coverages offered, with such problems as malingering and pre-existing conditions to be coped with. Hence, both companies and agents in this field must be ever alert to the continual importance of this public attitude and, by their deeds and everyday practices, serve to better that attitude and to overcome misconceptions which might exist in the public mind.

One obvious example is the oft-heard comment that accident and health insurance "gives it to you in the big print and takes it away from you in the small print." Actually, a minimum of 10-point type is required by law in most states, and it is specifically prohibited that exclusions of coverage shall be in smaller type than that with which the benefits are stated.

—J. F. FOLLMAN, JR. *Best's Fire and Casualty News*, July, 1951, p. 33:6.

PARADOX: In Great Britain, economic planning by the government has provided free dentures for the populace but almost no meat for them to chew.

—*St. Louis Union Trust Company Letter* 7/51

FACTORS IN PRODUCTS LIABILITY INSURANCE

DURING THE PAST 20 or 25 years, manufacturers have developed a real concern about accidents caused by their products and the claims resulting from such accidents. Insurance companies have responded to the manufacturer's gradual awareness of his need for protection against these claims by providing Products Liability coverage. Today this coverage is very broad and is available at a reasonable price.

Products Liability coverage is broken down into two categories: Completed Operations coverage for the contractor and Products Liability for the manufacturer and vendor.

The following is an example of Completed Operations coverage. A few years ago in Toledo, Ohio, a home owner had a contractor install a new furnace in the summertime. When it was turned on in the fall, the house caught fire, and there was about \$3,000 damage. The fire insurance company paid the loss, but it brought suit for recovery against the contractor and the manufacturer of the furnace. The manufacturer immediately made an investigation and, though there had been considerable fire damage to the furnace itself, he was able to prove that the contractor had connected the furnace incorrectly and, therefore, the entire blame was his. Completed Operations Property Damage coverage for the contractor provided protection for him in this loss.

Products Liability insurance is probably more important to those who are primarily manufacturers and retailers. The Products Liability policy picks up where the ordinary Public Liability policy stops. It provides protection after the product has been sold, after it is away from the premises, and after possession of the product has been relinquished.

—From an address by OWEN G. ANDERSON before the Mid-West Insurance Buyers Association.

Because some manufacturers desired to have their Products Liability coverage include coverage for their vendors, the insurance companies devised a Vendors Liability Endorsement that can be added to the manufacturer's policy for an additional charge of 15 per cent. This coverage does not apply if the vendor has changed the product, repackaged it, or if he makes a warranty of the product in excess of the warranty provided by the manufacturer. However, for the majority of cases, this provides the protection desired. Nevertheless, it is best for a store to buy its own Products Liability insurance; in this way it does not have to depend on someone else's insurance to protect it.

Insofar as bodily injury is concerned, there is a very important limitation on liability with respect to the limit per accident. The sentence in a policy regarding this reads as follows: "All such damages arising out of one prepared or acquired lot of goods or products should be considered as arising out of one accident." Because of the size of judgments that are being rendered these days, it is very important to carry high limits of liability. The cost for high limits is not great.

One of the most common misunderstandings about Products Property Damage coverage is the feeling on the part of many manufacturers that this protection is a product guaranty. Actually it is not a product guaranty and was never intended to be one.

One important feature of the policy is that it covers accidents with respect to past production. For instance, if you have not carried the coverage before and if you should buy it now, it would cover any accidents that occur during the policy period regardless of when the product was sold.

A & H Results for 1950

ACCIDENT AND HEALTH LINES, the fastest growing segment of the insurance industry, last year accounted for \$1,316,674,502 in net premiums written, an increase of 14.1 per cent over the 1949 total of \$1,145,162,370, or a dollar increase of more than \$171 million.

Greatest growth was shown in group accident and health which accounted for more than \$162 million of the increase in 1950 over 1949. Group premiums went from \$480,077,865 in 1949 to \$642,448,330 in 1950, a gain of nearly 36 per cent.

Probably the biggest factor in producing this tremendous new volume of group business was the increasing industrial activity taking place in the country as a result of the Korean conflict. With unemployment falling to rock-bottom lows in the last six months of last year, thousands of workers were absorbed by industry, thereby swelling the number of people covered under group accident and health figures.

Another important factor that entered the group accident and health picture for the last six months of 1950 was the Disability Benefits Law of New York that became effective July 1, 1950. Before the enactment of that law, New York State ranked first in direct premium writing in accident and health lines.

—*The Spectator* 7/51

Trends In State Disability Insurance

THIRTY-FOUR BILLS to establish cash sickness or disability compensation programs have been introduced this year in 14 of the state legislatures and in Alaska. The most common pattern (followed in 15 bills) calls for state monopoly, as in Rhode Island. Optional carrier provisions, as in New Jersey and California, are called for in 10 bills. Only nine bills imitate the New York all-private system.

An increasing trend is noted toward coverage under private plans in both California and New Jersey. Estimates of the number of workers covered under the state plan in California show a decrease of almost 28 per cent, dropping from almost two million in 1947 to 1.4 million in 1949. Meanwhile, coverage under the voluntary plan increased from 554,500 to 1,093,100. In New Jersey, the number of workers covered by private plans has increased each quarter until, at the close of 1950, approximately 70 per cent of the employed covered workers were under private plans in lieu of the state plan.

—The Research Council for Economic Security (Chicago 4, Ill.)

Increase In Insurance Costs Predicted

THE AMERICAN PUBLIC is going to pay more for automobile and workmen's compensation insurance because of the current inflationary period, H. G. Kemper, president of Lumbermen's Mutual Casualty and American Motorists Insurance, predicted recently in an address before an annual meeting of midwest agents of the two insurance companies.

Rising claim costs and a higher accident frequency make rate increases inevitable, according to Mr. Kemper. "In the automobile insurance field, claim costs are forced upward by current inflation which has boosted sharply the costs of medical care, repairs of damaged cars, and reimbursement for time lost from jobs. In addition, there has been a sharp increase in the frequency of automobile accidents."

As examples, it was pointed out that highway fatalities for the first part of the current year are 20 per cent higher than in the corresponding period two years ago. Also, automobile property damage accidents reported to New York State involved an estimated property loss 33 per cent higher in 1950 than in 1949.

—*The Weekly Underwriter* 6/2/51

New Disability Pensions Provide for Deductions

A NUMBER of new pension plans call for total and permanent disability benefits, usually from age 55 to 65. Disability benefits average \$50 a month. From that amount, any benefits payable under workmen's compensation and benefits which may be paid in the future under the Social Security Act are usually deducted. The provisions for deductions vary. Two examples follow:

Square D Company's contract with Electrical, Radio & Machine Workers provides that its \$50 a month disability pension will be "less a disability or other pension to which he is or would be entitled under any social security law, or under any disability insurance paid for in whole or in part by the company, or any disability income provided by federal statute."

The Associated Spring Corp. plan under Steel Workers-CIO and Auto Workers-CIO contracts is more inclusive:

"This \$50-a-month disability pension will be decreased by the amount of any disability income you may be entitled to receive from federal social security, workmen's compensation, accident, and health insurance provided by the corporation's contributions or any disability income provided by the corporation's contributions under future laws. Any governmental payments on the basis of 'need' or because of military service are in addition to the \$50 disability pension."

—Employee Benefit Plan Review 2/51

Also Recommended • • •

EFFECTS OF SICKNESS DISABILITY LEGISLATION ON EMPLOYEE RELATIONS. By Richard E. Chislett II. *Archives of Industrial Hygiene and Occupational Medicine*, December, 1950 (American Medical Association, 535 North Dearborn Street, Chicago 10, Ill.). Any disability benefits law is going to impinge to some extent on the field of employee relations, but state interference can be held to a minimum if the law is flexible, if it recognizes social purposes broader than the mere payment of money to a disabled person, and if it assumes that in certain circumstances an employer and his employees can work out a better plan by themselves. The author feels that the New York law is a bold effort in the right direction.

WORKMEN'S COMPENSATION AND ATOMIC WARFARE. By Harold Scott Baile. *The Weekly Underwriter* (116 John Street, New York, 38, N. Y.), July 21, 1951. This article attacks the fear entertained in some quarters that the courts may interpret current workmen's compensation laws in ways that will result in liability on insurance carriers for injuries and death arising from atomic explosion. Pointing out that this end result would be contrary to the basic social intent of this type of legislation, the author reviews the confusing state of decisional law with respect to the phrase "arising out of employment," and out-

lines three alternatives for relieving the industry from the threat of liquidation of its reserve of nearly \$650,000,000. A federal declaration along with amendments to the present state statutes is recommended.

AUTO LIABILITY RATES TAKE UPHILL ROAD. *Business Week* (330 West 42nd Street, New York 18, N. Y.), July 7, 1951. The uptrend in auto insurance premiums, as illustrated by rate rises which have been approved in 26 states, is a result of increasing claims and costs, and comes just at the time when underwriters thought they had at last turned the corner on the postwar rise. Though insurance men can give no definite explanation of the increased number of accidents in 1950, the article points out that highways are not being improved fast enough and that the new cars tend to emphasize speed and power rather than safety.

LET'S CUT CRIME LOSSES! By Walter L. Flynn. *The Casualty & Surety Journal* (60 John Street, New York 38, N. Y.), July, 1951. In this discussion of the financial and property losses to business and industry as a result of crime, the author points out vulnerable spots and suggests safeguards which will help to protect them. The practice of requesting an outside C.P.A. or accounting firm to review internal accounting control at least annually is recommended.

Survey of Books for Executives

THE ART OF ADMINISTRATION. By Ordway Tead. McGraw-Hill Book Company, Inc., New York, 1951. 223 pages. \$3.75.

Reviewed by Harry A. Bullis*

In his preface to *The Art of Administration*, Dr. Tead frankly states that the purpose of his book is to improve understanding of the administrative function and to suggest how it can be made more effective. He considers administrative practice a fine art. The medium of expression that the administrator uses is not color, form, or sound; rather it is the happiness and well-being of the people whose lives come under his influence during their working hours.

Dr. Tead points out that a leader should always bear in mind that every man is a whole man—a producer, a consumer, a citizen, and a free person with family ties and personal aspirations. The aims of the organization need to be thoroughly understood and accepted by leaders and workers alike if there is to be unity of purpose. Inspiration comes from the heart as well as the mind, and the author deplores perfunctory indoctrination which has little appeal to emotions, intellect, or imagination. He suggests that workers as well as leaders should know that industry has other objectives fully as important as profits, though profits are needed for the realization of these other objectives. Profits are both a commonly accepted measure of success and "an index of survival possibilities."

The author draws upon his wide experience to paint a background of human nature as we find it in our democratic society. He emphasizes the fact that people want to count for something, they want to belong, they have pride in themselves and in their work. The task of the administrator is to reconcile the thoughts, feelings, questions, and even resentments of people from every walk of life with their working environments, and this task is complicated by the lack of agreement as to how our social, political, and economic freedoms are to be preserved.

* Chairman of the Board, General Mills, Inc.

Having placed the administrator in his background, Dr. Tead proceeds to analyze administration and administrative processes. He points out that the primary functions of production, selling, finance, accounting, personnel, and coordination are each part of the administrative picture and that none may be overlooked, though some need new emphasis in keeping with a progressive society.

He stresses the importance of the personnel function as related to organization growth; however, he believes that this relationship is not always clearly understood. It is not sufficient to employ a personnel administrator to handle programs intended for the good of employees; generosity alone does not solve basic problems. Programs for education and training, health, safety, security, and other labor relations need to be coupled with team play and real partnership.

The author believes in a collective approach to greater productivity, though in his opinion collective cooperation requires assurance of a reasonable degree of security, either in days of work or income. He suggests the desirability of devising some method of sharing gains that would be acceptable to the workers, but he does not offer any particular plan.

While Dr. Tead believes that "the will to power is wholesome," he warns of the dangers of the ruthless exercise of power over others. He agrees with Francis Bacon that: "The one who has power thinks he can command the end. Yet rarely has he the patience to endure the means." Every administrator should remember that authority is not an attribute of the person but that it belongs to the job.

An administrator should have a well-rounded personality. He must appreciate the importance of sound human relations, not only in his organization but in the community. In addition, he should have the ability to interpret generalized findings in terms which are clear and understandable, and he should be primarily interested in operating for the long pull rather than for quick results. He has to be both student and educator. He has to be on the lookout for young men who reveal executive aptitudes and provide opportunities

to test their talents while they are still young. He should continually be on the hunt for new ideas both within his organization and outside. It is still true that the spirit of any organization reflects its leadership—that it is the lengthened shadow of its leading executive. The implication of responsibility is evident.

Dr. Tead's book is scholarly and his philosophy seems sound, though some of it may be a bit too advanced for immediate acceptance. It would be more likely to be understood and accepted if his style were less professorial. The long and involved sentences and the complexity of expression may discourage many readers who would be interested in the ideas. However, while the book is not light reading, it is thought-provoking and well worth study by anyone who now is, or aspires to be, an administrator.

PROFIT SHARING FOR WAGE EARNERS AND EXECUTIVES. By B. M. Stewart and W. J. Couper. Industrial Relations Counselors, Inc., RKO Building, Rockefeller Center, New York 20, N. Y., 1951. 124 pages. \$2.00.

This monograph reproduces part of a study published in 1945 under the title of *Profit Sharing and Stock Ownership for Wage Earners and Executives*, now out of print, and brings up to date the findings of the profit-sharing section.

The study includes a review of experience under 126 profit-sharing plans, those still in operation out of the 209 that were active in 1945; a summary of legal developments; and a reappraisal of the movement in the light of present trends.

The study also submits for consideration a plan that combines profit sharing and employee savings. This plan is designed to provide benefits supplemental to those of the basic profit-sharing program or, when an employer is unable to adopt such a program, to afford unemployment, disability, and retirement benefits as the fortunes of the business permit. Another objective is to provide some offset to shrinkage of the benefit dollar in periods of inflation. The proposal may be of interest to managements considering resort to profit sharing or revision of present plans.

THE WAY TO SECURITY. By Henry C. Link. Doubleday & Company, Inc., New York, 1951. 224 pages. \$2.50.

Reviewed by L. N. Laseau*

While Dr. Henry Link's latest book, *The Way to Security*, has been written for every thinking person, it can be especially helpful to any member of management who has time to squeeze it into his reading schedule. It will take a minimum of time because it is such easy and enjoyable reading.

It treats many of the most controversial subjects that are constantly bothering management in such a clear and logical way that the reader begins to feel as though his feet had once more touched solid ground. In addition, Dr. Link gives some simple answers to several of the modern sophistries that are continually disturbing management.

The first contribution the book makes is a straightforward and intelligent definition of "Security," particularly in relation to the present-day concern with the term. The opening sentence of his first chapter gives some idea of just how pertinent Dr. Link has made his definition: "If several millions of American citizens should die as the result of atomic bombs, the characteristic inscription on their tombstones might well begin:

Here Lies
John J. Smith
Social Security No. 172-563-218."

Later, in that same chapter, he has this to say: "Probably the chief weakness in our current thinking about security is its emphasis on social security and its neglect of personal security. It is the emphasis on security from without rather than security from within." Across the page, he adds this bit of common sense: "We do insist that financial security depends on spiritual security and not vice versa." He then goes on to show that it is impossible to provide real security by legislation. The very attempts that are being made to do this are depriving the individual of the only genuine basis of security, self-reliance.

In Chapter 5, "Adventure for Security," he lays to rest the popular idea that modern industry necessarily makes the individual de-

* Director, Employee Research Section, General Motors Corporation.

pendent upon it, proving that this need not be the case. Whether in industry or elsewhere, the most important thing for anyone is his individual growth. This is a personal accomplishment and cannot be achieved for a person by anyone else. This thought is well put in one sentence: "The greatest adventure in life is making something of oneself."

Another significant contribution to the correction of some of our modern lazy thinking occurs in Chapter 13 where Dr. Link treats the spiritual significance of profits in this very pointed sentence: "The profit system, as developed in America, is a mathematical device for measuring the efficiency of the stewardship of a business." This statement packs a lot of meaning when the word "stewardship" is understood as the author intends. He uses it in the same way that the Bible does in the story of the master who praised and rewarded his stewards insofar as they used the talents he gave them to produce additional talents.

Later, in that same chapter, he nails another popular misconception—that poverty is the cause of communism. He points out that if this were true the many leaders of business who grew up in impoverished families would now be communists.

A very practical chapter for management is called, "Fear Can Be Your Friend." This chapter deals effectively with one of the shallowest of modern political catch phrases, "Freedom from Fear," the idea that fear should be removed from our modern life. Dr. Link shows very realistically that if fear could be removed, one of the greatest safeguards to our well-being would be denied us. In his words: "Beginning with childhood, such fears as the one of playing with matches, of crossing the street, and of getting into deep water help to keep us alive and happy. When we have learned to cope with these fears, others arise to challenge us—the fear of not passing in school, of not getting a job, of not being able to hold a job, of not getting a good wife or husband." Most of the real successes in America have been accomplished in the face of many, many chances to fail. The ever present fear of failure undoubtedly made some contribution to these successes.

In brief—the first chapter defines security; the next four treat its origin, growth, and

development in a normal person; next come four chapters dealing with fear and how to understand and use this psychological tool to individual advantage and, particularly, how to master the art of relaxation; then two chapters deal with the contribution education can make to security and the "Mature Character"; the final four chapters cover the difficulties of feeling secure in the face of war, encroaching communism, and national economic upheaval, strongly pointing out that real security exists only in a faith in God.

MONOPOLY AND FREE ENTERPRISE. By George W. Stocking and Myron W. Watkins. Twentieth Century Fund, New York, 1951. 611 pages. \$4.00.

Reviewed by Neil H. Jacoby*

This is the third and final monograph to emerge from a massive survey of international cartels and domestic monopoly undertaken eight years ago under the auspices of the Twentieth Century Fund. Because it deals with subjects of high current interest and produces recommendations more controversial than those advanced for dealing with international cartels, it will undoubtedly command a much wider readership than its companion volumes. The work contains a sound liberal (Manchester style) philosophy, good historical perspective, and pungent writing. The authors deserve credit for hewing to a consistent course and insisting upon competitive regulation of economic affairs, instead of regulation by government or industrial "self-government."

The authors believe that most changes that have occurred in American business organization and practice during the past two generations have been in the direction of increasing the size of the business unit, concentrating powers of control of markets in the hands of fewer firms, and substituting "cooperation" for competition between firms. They estimate that a substantial part of American trade has become "cartelized," that is, subject to restrictive controls of price and output by government or by producer groups. Hence, they envisage a dim future for the American economy unless positive steps are taken to arrest the spread of monopolistic practices and to

* Professor of Business Economics and Policy, and Dean, School of Business Administration, University of California, Los Angeles, Calif.

restore real competition. Their most far-reaching recommendation is to use the antitrust laws to break up giant firms in every industry, so that the number of independent producers, industry by industry, is as large as is consistent with the economies of scale.

One may agree with the authors' concern for the maintenance of vigorous competition and with many specific recommendations they make. However, their reasoning is based upon a number of serious misconceptions and does not prove the need for a program of corporate disintegration. They do not grasp the true nature of the competitive process in the contemporary economy, which is carried on in many other areas as well as in pricing. They grossly exaggerate the extent of monopolistic behavior and the amount of power typically possessed by the large firm over its market.

They err in asserting that collusion rather than competition is the "natural" tendency of the American business manager. They overstate the role of mergers in the total growth of large firms and misconceive the effects of mergers on the vigor of competition.*

Business men should read this book, for it will reveal to them the theory underlying much of the criticism of business practices by academic economists and by Federal regulatory agencies, including the Antitrust Division. It is important that more business men and economists learn to speak each other's language, for this will promote the formulation of a more adequate theory of competition, as well as more competitive behavior in business.

* These criticisms are elucidated more fully in this reviewer's forthcoming review article in the *Journal of Political Economy*.

Publications Received

(Please order directly from publishers)

INDEX OF MILITARY PURCHASING OFFICES: A Guide to Industry in Selling to the Military Departments. Munitions Board, Washington, D. C., 1951. Available from Superintendent of Documents, Government Printing Office, Washington 25, D. C. 16 pages. 15 cents.

INVENTORY OF RESEARCH IN THE SOCIAL SCIENCES AT THE UNIVERSITY OF MINNESOTA: 1949-1950. The Social Science Research Center of the Graduate School, The University of Minnesota, Minneapolis, 1951. 160 pages.

WHAT EVERY RETAILER SHOULD KNOW ABOUT THE LAW. By J. Norman Lewis and R. Duffy Lewis. Fairchild Publications, Inc., 7 East 12th Street, New York 3, N. Y., 1951. 72 pages. \$2.50.

CONFERENCE ON RESEARCH IN INCOME AND WEALTH: Studies in Income and Wealth, Volume Thirteen. National Bureau of Economic Research, Inc., 1819 Broadway, New York 23, N. Y., 1951. 594 pages. \$6.00.

WORLD RESOURCES AND INDUSTRIES: A Functional Appraisal of the Availability of Agricultural and Industrial Materials. By Erich W. Zimmermann. Harper and Brothers, New York, 1951. Revised edition. 832 pages. \$7.50.

THE OUTLOOK FOR CONSUMERS: An Appraisal, as of May 1951, of the Expected Supply of Consumer Goods During the Coming Twelve Months. Prepared by Research Department, National Association of Manufacturers, 14 West 49th Street, New York, N. Y., 1951. 19 pages. Gratis.

WHAT HAPPENS DURING BUSINESS CYCLES: A Progress Report. Studies in Business Cycles No. 5. By Wesley C. Mitchell. National Bureau of Economic Research, Inc., 1819 Broadway, New York 23, N. Y., 1951. 390 pages. \$5.00.

PRACTICAL RULES FOR GRAPHIC PRESENTATION OF BUSINESS STATISTICS. By L. Edwin Smart and Sam Arnold. The Bureau of Business Research, College of Commerce and Administration, Ohio State University, Columbus, 1951. Second edition, enlarged. 137 pages. \$2.50.

PRINCIPLES OF ACCOUNTING: Intermediate. By H. A. Finney and Herbert E. Miller. Prentice-Hall, Inc., New York, 1951. Fourth revised edition. 975 pages. \$7.65.

ECONOMICS OF AMERICAN INDUSTRY. By E. B. Alderfer and H. E. Michl. McGraw-Hill Book Company, Inc., New York, 1950. Second edition, revised. 716 pages. \$5.50.

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